

MPs' expenses and allowances

Supporting Parliament, safeguarding
the taxpayer

Committee on
Standards in
Public Life

November 2009



Twelfth Report of the Committee on
Standards in Public Life

Chair: Sir Christopher Kelly KCB

MPs' expenses and allowances

Supporting Parliament, safeguarding the taxpayer

Report

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November 2009
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Preface

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Revelations about the expenses regime in the House of Commons have corroded public trust in the integrity of Parliament. The reputation of individual MPs and confidence in the way we are governed have both been seriously damaged. The implementation of the recommendations in this report, together with the steps under way to increase transparency and improve audit and regulation, will hopefully begin the process of restoration.

Rebuilding public trust will take time. It will also require more than changes to the rules governing expenses, important though that is. The House of Commons needs to act with determination to embed the Seven Principles of Public Life firmly in the activities of the House and the behaviour of its Members.

I am grateful to the members of the Committee and to our secretariat for their hard work in producing this report. I would also like to thank all those who took the time to submit evidence either in writing or in person. Our report is strengthened by their contribution.

Christopher Kelly KCB

Chair, Committee on Standards in Public Life

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THE SEVEN PRINCIPLES OF PUBLIC LIFE

SELFLESSNESS

Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

INTEGRITY

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

OBJECTIVITY

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

ACCOUNTABILITY

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

OPENNESS

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

HONESTY

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

LEADERSHIP

Holders of public office should promote and support these principles by leadership and example.

These principles apply to all aspects of public life. The Committee has set them out here for the benefit of all who serve the public in any way.

Executive Summary

Introduction

1. This report makes proposals for the reform of the regime for meeting the costs which Members of the United Kingdom Parliament incur as the result of performing the roles for which they are elected.
2. It aims to strike a fair balance between giving Members of Parliament adequate resources to do their jobs and providing value for money for the taxpayer, within a framework which is transparent, accountable and free from suspicion of abuse for personal advantage. MPs carry out a vital role in our democracy. It is important that they have the support to be fully effective.
3. Our inquiry has taken place in a highly charged atmosphere. It follows a series of piecemeal attempts at reform, some of which were announced while we were deliberating. These attempts have, at best, lacked coherence. We have aimed therefore to make our review comprehensive and thorough, and to give everyone who wished to do so the chance to contribute. To make this possible we have resisted pressure to speed up the timetable to a point which we thought would damage its completeness – though we understand the urgent need for change.
4. We have been in no doubt about the importance of our task. There has been a profound crisis of public confidence in the integrity of MPs brought about by successive revelations about the nature of their self-determined and self-policed expenses scheme and the way they have used it. The public are understandably angry about a major systemic failure in an area where they are justified in expecting the highest standards. MPs have been able to misuse for personal gain an expenses regime which was intended simply to reimburse them for the additional costs necessarily incurred in performing their jobs. Anger has been fuelled further by a perception that ordinary citizens are subject to restrictions in their own working lives which were not being applied in the same way to MPs, and by the reluctance of the House of Commons as a whole to recognise the need for reform until forced to do so.
5. Some have argued that the situation has been caused by the unwillingness of successive governments to contemplate increases in MPs' pay, even when recommended by an independent review body. This unwillingness has created a sense of grievance. It has also led to a tendency to regard the expenses system, quite wrongly, as a substitute for higher salaries. The problem has been compounded by serious weaknesses in the control systems which were supposed to provide assurance that public money was being used only for the purposes intended.
6. Restoring public confidence will be a slow process. It will require much more than a set of rule changes, essential though these are. All MPs need to reaffirm and embrace the Seven Principles of Public Life; and those in authority must show leadership in driving through the necessary changes in rules and culture. The public will also want to be assured that those who break the rules will be robustly sanctioned.
7. Our recommendations are listed in full at the end of this summary, and explained in more detail in subsequent chapters.

Interim steps

8. A number of the key steps to facilitate the necessary changes have already been taken. Three of the most important are:
 - The House of Commons has belatedly accepted that full details of all expenses claims should be publicly available. Had this degree of transparency existed in the past, it is unlikely that the previous flawed system would have survived as long as it did. We firmly believe that regular publication, along the lines of the arrangements already introduced in the Scottish Parliament, is an essential part of the way forward.
 - Parliament has decided that responsibility for determining future changes in the expenses regime, and for administering and policing it, should be given to an independent body. This change is crucial. It will mean that future decisions about the structure and level of expenses payments will not be taken by people with an interest in the outcome. It should ensure that the administration and policing of the system are conducted by independent people free of any suspicion of improper pressure; and it should protect MPs from future governments who might see advantage in depressing entitlements unreasonably for reasons of political popularity.
 - Expenditure on expenses in the current year will for the first time be subject to 'full scope' external audit. Audits in previous years have not sought to investigate beyond an MP's declaration that his or her expenses claims were in accordance with the rules. As a consequence very little assurance was gained about the adequacy of the controls intended to ensure that public money was being properly spent. Full scope audit will make it much easier to identify the risks of abuse and the proportionate actions that need to be taken to guard against them.
9. We welcome all these developments. We have, however, made a number of recommendations intended to improve their effectiveness and ensure they are firmly embedded in future policy and practice.

The new arrangements for regulation and enforcement

10. We have looked particularly carefully at the new Independent Parliamentary Standards Authority (IPSA). We applaud the creation of an independent regulator. We think it is very important that it should be in operation from the beginning of the next Parliament. Nothing in this report need or should be allowed to get in the way of that happening.
11. However, we believe the new body bears the scars of the haste with which the legislation was pushed through Parliament. We make a number of recommendations in Chapter 13, intended to improve its focus on its key role, to make sure it has the necessary powers to achieve its objectives, and to buttress its independence. In particular, we recommend that it should not, as currently intended, take on responsibility for the register of financial interests and its associated code. We understand why in current circumstances this has been done. But we believe that making MPs' day to day conduct in the House subject to an externally written code potentially raises issues of parliamentary privilege which do not apply to the expenses regime, will prove unworkable and would give a false sense of security when the power to sanction for breaches of the code remains with the House of Commons. It also risks distracting the new body from its core purpose.
12. Instead, we think that the independent regulator should be given responsibility for determining the level of MPs' pay and pension arrangements as well as their expenses. All financial flows to MPs would then be decided and controlled in one place, whose independence from the House of Commons would be embedded in primary legislation and could only be changed by further primary legislation.
13. If the House is to retain responsibility for standards issues it is essential that its disciplinary machinery includes a significant independent element. We have therefore recommended that the key House of Commons' bodies with responsibilities which bear on the regulation of expenses, the Standards and Privileges Committee and the Speaker's Committee on the new independent regulator, should both be strengthened by the appointment of external members.

Fundamental principles

14. Our starting point in looking at expenses has been that the role of an MP has many unusual characteristics, not least in many cases the need for two separate places of work. But it also has features in common with other jobs. We have therefore sought to make a clear distinction between those aspects of the expenses regime where MPs are entitled to be treated differently from the public at large and others where they are not.
15. In Chapter 3 we set out the principles which should underpin the new scheme of expenses, derived from an elaboration of what we believe the Seven Principles of Public Life require in this context:
 - Members of Parliament should always behave with probity and integrity when making claims on public resources. MPs should be held, and regard themselves, as personally responsible and accountable for expenses incurred, and claims made, and for adherence to these principles as well as to the rules.
 - Members of Parliament have the right to be reimbursed for unavoidable costs where they are incurred wholly, exclusively, and necessarily in the performance of their parliamentary duties, but not otherwise.
 - Members of Parliament should not exploit the system for personal financial advantage, nor to confer an undue advantage on a political organisation.
 - The system should be open and transparent, and should be subject to independent audit and assurance.
 - The details of the expenses scheme for Members of Parliament should be determined independently of Parliament.
 - There should be clear, effective and proportionate sanctions for breaches of the rules, robustly enforced.
 - The presumption should be that, in matters relating to expenses, MPs should be treated in the same manner as other citizens. If the arrangements depart from those which would normally be expected elsewhere, those departures need to be explicitly justified.
 - The scheme should provide value for the taxpayer. Value for money should not necessarily be judged by reference to financial costs alone.
 - Arrangements should be flexible enough to take account of the diverse working patterns and demands placed upon individual MPs, and should not unduly deter representation from all sections of society.
 - The system should be clear and understandable. If it is difficult to explain an element of the system in terms which the general public will regard as reasonable, that is a powerful argument against it.

Accommodation

16. The main focus of public concern about expenses has been accommodation. We make a number of proposals about this in Chapter 5. Our key recommendations are that support for mortgage interest should be brought to an end with appropriate transitional provisions, that in future, support should only be provided for rent or hotel costs, and that the new independent regulator should contract with a commercial agency to procure and maintain suitable rented properties for all new MPs entering the House at the next election, with a view to extending the scheme thereafter.
17. The ending of support for mortgage interest will mean that MPs will no longer be able to purchase an asset with support from the taxpayer and retain for themselves any capital gains. It will also eliminate the incentive for 'flipping', the practice whereby some MPs have allegedly changed the designation of their main home according to considerations of personal financial advantage rather than any objective criteria. As a transitional arrangement, we have recommended that MPs with existing mortgages supported through the expenses scheme should be entitled to claim the cost of mortgage interest on their property until the end of the next Parliament, but that any capital gains from now on made with the support of public funds should be surrendered to the taxpayer.

18. The use of a commercial agency to procure and maintain rented properties will relieve individual MPs of the task of finding and maintaining properties and paying bills, offer a degree of flexibility in dealing with different family circumstances or special needs, and significantly reduce the risk of real or perceived misuse of public funds. Payments for rent and utility bills could be made direct to the supplier and not pass through the hands of MPs themselves.
19. We have four other significant recommendations on accommodation. First, as already agreed as an interim step, MPs should no longer be able to claim for the cost of items like electrical goods or services like gardening, but only for basic requirements like utilities and security. Second, the availability of additional accommodation should be withdrawn from a number of MPs whose constituency homes are within reasonable commuting distance of Westminster. Third, the London cost allowance, analogous to London weighting and paid to MPs not entitled to secondary accommodation, should be reduced to the level recommended by the Senior Salaries Review Body (SSRB) in 2007, uprated for inflation. That would bring it much closer to the norm in the public sector. There should be a higher allowance for those with constituencies outside the Greater London area who do not receive taxpayer funded accommodation. Finally, eligibility to claim the current £25 subsistence allowance should be considerably restricted. In future, only MPs staying in hotels should be able to claim for the cost of an evening meal, and only on the basis of costs actually incurred and backed by receipts.

Staffing and office costs

20. Our main recommendation on staffing is that the employment by MPs of members of their own families, paid out of public funds, should be brought to an end. We have proposed transitional arrangements which would allow those currently employed to remain in their positions for one further Parliament. We have heard much evidence commending the dedication and hard work of many family members, and about the advantages the arrangement may bring to constituents and to the family life of MPs. But, it is not consistent with modern employment practice designed to ensure fairness in recruitment, management of staff and remuneration; and it will always carry with it a suspicion of abuse. We believe it is important for the House of Commons not to be lagging behind others on this issue. A number of other legislatures have already come to the same conclusion.
21. We also recommend that, while recruitment of staff should remain the responsibility of MPs, there should be open recruitment and steps should be taken to bring about a much greater standardisation of terms and conditions, backed up by more effective HR support and training.
22. Many staff employed by MPs are also politically active in their own right and a significant number of constituency offices are rented from or shared with local political parties. There must, therefore, be a risk that resources intended to support an MP in their constituency role will deliberately or inadvertently be put to party political use instead. We have heard no evidence that this is happening on any significant scale. But this is not an area that has ever been properly examined, given the inadequacy of the House's audit and assurance arrangements. We recommend, therefore, that it should be closely looked at in the external audit. We also recommend that all staff should receive clear guidance on the proper use of staff and other resources paid for from public funds. MPs should be asked to affirm every year that their staff understand these rules, and are abiding by them.
23. We also propose that, in future, significant office equipment purchased using public funds should remain the property of Parliament.

Communications

24. We recommend that the communications allowance should be abolished. We believe that effective engagement between Members of Parliament and their constituents is of the utmost importance, particularly in the wake of recent events. But there is little evidence that the communications allowance is succeeding in promoting more effective political engagement, and much evidence of it being used for self-promotion. MPs who wish to communicate proactively with their constituents should be encouraged to continue to do so. But they should have to pay for it out of their administrative and office budget, where the cost would have to compete with other demands rather than being seen as a free good.

Travel

25. We have made a number of detailed recommendations about travel expenses, generally reflecting the principle that MPs should expect to be treated in the same way as their constituents in this regard, unless there are compelling reasons to the contrary. That implies, for example, that MPs should not be reimbursed for the costs of ordinary commuting journeys – that is, journeys directly comparable with those made by other people between home and their place of work. We also recommend that the purpose and destination of all journeys for which claims are made should be recorded, including those made by car. This transparency will bring the House of Commons in line with the Scottish Parliament, where such arrangements do not appear to be an unduly bureaucratic burden.

Leaving office

26. When MPs leave office they are entitled to redundancy pay in the form of a resettlement grant. Unlike most redundancy arrangements, the grant is paid to all MPs leaving Parliament at dissolution, including those who go voluntarily for retirement or other reasons. We recommend that, starting immediately after the next election, only those whose departure is involuntary should receive the grant. MPs who stand down voluntarily should instead receive an additional eight weeks' pay to assist with the transition and to cover the time they spend on bringing their parliamentary work to a close. We also recommend that the sanction of withdrawal of the grant should be considered for serious breaches of the expenses rules or of other aspects of the code of conduct, in this or future parliaments. It is not too late for the sanction to be applied in respect of current MPs found to have committed a serious breach of the rules. Most employees in other organisations who leave their jobs because of misconduct could not expect to receive redundancy pay.

Other employment

27. At the request of the Prime Minister, we have looked at the issue of MPs who also undertake paid employment outside the House of Commons, either occasional lecturing or journalism, or a more substantial post like a company directorship. We understand why this should be a cause of concern if it happens on a scale which risks distracting MPs from their main role or which creates a conflict of interest. Provided such activity remains within reasonable limits we take the same view as our predecessors, that it should not be banned. It can bring valuable experience to the House of Commons and the income from it can help to preserve independence from the whips. However, we believe that it should be limited in scope and transparent, and that information about candidates' outside interests should be explicitly drawn to their constituents' attention at the time of elections.
28. One aspect of paid employment outside the House is that, partly for reasons of recent history, 16 out of 18 Northern Ireland Westminster MPs are also members of the Northern Ireland Assembly. Five of them currently hold ministerial positions there. The only other example of dual mandates is that the First Minister of the Scottish Parliament is also an MP. He has indicated that he will not be standing at the next Westminster election. We recommend that 'double jobbing', as it is known in Northern Ireland, should be brought to an end, ideally by the next elections to the Assembly in 2011. We recognise that this will be a demanding timetable but the issue is an important one.

The way forward

29. The bulk of our recommendations should be implemented by the start of the next Parliament. Some are to be introduced immediately and some involve transitional arrangements for existing MPs. None of our proposals have retrospective effect. The effect of adopting our recommendations would be to reduce the cost to the taxpayer of supporting MPs, while introducing a greater degree of transparency and control, and limiting the scope for abuse, or the perception of abuse.

30. Our proposals are intended to be treated as a package, not as a menu of options. We recommend that they should now be handed to the independent regulator to be implemented in full, in spirit as well as in detail, and that the principles set out in Chapter 3 should be used to guide any future changes.
31. The revelations about expenses have made the public suspicious not just of the integrity of individual MPs but of Parliament as an institution and politicians as a whole. Reform of the expenses regime is a necessary step towards rebuilding confidence. But it is by no means enough to bridge the growing gap between MPs and those they represent. Among the other essential steps are that:
 - Everyone – individual MPs, the leaders of the political parties and the House authorities – should recommit to the importance of embedding the Seven Principles of Public Life in the activities of the House of Commons.
 - The new independent regulator should be seen to implement the new regime to the highest professional standards and with demonstrable independence of Parliament.
 - The House of Commons, which retains responsibility for the discipline of its Members and enforcement of its code of conduct, should demonstrate that it is ready to impose robust sanctions on any MPs whose behaviour is found to be below the standards expected by the public.
32. This report is only a beginning in the important task of rebuilding the compact between the electorate and the House of Commons, without which Parliament cannot be confident of the whole-hearted consent of those they represent. If its reputation is to be restored, the House of Commons needs to act, and be seen to act, with determination and commitment in implementing our recommendations.

List of recommendations

Recommendation 1

MPs should always act in accordance with the Seven Principles of Public Life. Any future changes to MPs' expenses should be underpinned by the elaboration of those principles set out in the executive summary and repeated in Chapter 3 of this report.

Recommendation 2

The independent regulator should annually review the maximum amounts claimable in light of inflation. It should undertake comprehensive reviews of the whole scheme at least once every Parliament.

Recommendation 3

MPs should no longer be reimbursed for the cost of mortgage interest payments or any other costs associated with the purchase of a property. No new arrangements for support of mortgage interest should be allowed from the date of this report. In future only rent or hotel costs should be reimbursed. (Transitional arrangements are dealt with in recommendations 12 to 14).

Recommendation 4

The independent regulator should commission a commercial agency to provide and maintain rented accommodation for new MPs entering Parliament at the next election along the lines of the MOD scheme for service personnel. If it proves successful, the scheme should be extended to all MPs.

Recommendation 5

The expenses scheme should continue to cover additional costs incurred wholly, exclusively and necessarily in pursuit of MPs' parliamentary duties in respect of council tax, water, electricity, gas, and other fuels, telephone line rental and calls, security, contents insurance and removal at the beginning and end of a tenancy. The costs of cleaning, gardening, furnishings and any other items should not be reimbursed or otherwise covered.

Recommendation 6

The designation of main and second homes should be determined according to an objective test, consistently applied and robustly enforced by the independent regulator. Any changes in designation should be scrutinised with particular care.

Recommendation 7

The recent removal of the right to claim additional accommodation expenses from MPs with constituencies wholly within 20 miles of Westminster should be extended to those whose constituency homes fall within a reasonable commuting distance. The independent regulator should draw up a revised list of constituencies to which this principle applies.

Recommendation 8

The London costs allowance should be reduced from the beginning of 2010-11 to the level recommended by the SSRB in 2007, uprated in line with the Public Sector Average Earnings Index to allow for the passage of time.

Recommendation 9

The independent regulator should determine an appropriate level of London costs allowance for MPs outside the Greater London area who do not receive taxpayer-funded accommodation.

Recommendation 10

Only MPs who stay in a hotel should in future be entitled to claim for the costs of food, currently up to a maximum of £25 per night and within the overall ceiling for accommodation expenses. Reimbursement should be on the basis of receipted expenditure only.

Recommendation 11

The independent regulator should have the discretion to respond appropriately to requests from MPs for assistance to address particular needs.

Recommendation 12

MPs with existing mortgages supported through the expenses scheme should continue to be entitled to claim the cost of mortgage interest on their current property until the end of the next Parliament, or for five years if that Parliament does not continue for a full term. They should not, however, be able to amend their mortgage agreement in any way which would increase the amount they are able to claim.

Recommendation 13

Any capital gains after the date of this report in the value of accommodation purchased with the help of public funds should be surrendered to the Exchequer. The amount to be surrendered should be proportionate to the extent of public funding during the transitional period.

Recommendation 14

MPs who share second home accommodation as partners should be entitled between them to claim up to a limit of one individual cap on rent or mortgage payments, plus one-third.

Recommendation 15

MPs should no longer be able to appoint members of their own families to their staff and pay them with public funds. Those currently employing family members should be able to continue to do so for the life of one further Parliament or five years, whichever is the longer.

Recommendation 16

The work of MPs' staff, both in Parliament and in their constituencies, should be subject to robust independent audit as part of the new assurance arrangements. This will ensure that resources provided out of public funds are being used only for the purpose intended and not to support party political activities. Should any MPs or their staff be found to be abusing the system other than inadvertently, they should face strict penalties.

Recommendation 17

A code of conduct for MPs' staff should be developed by the House of Commons, setting out appropriate restrictions on party political activities. Responsibility should rest with individual MPs to ensure that their staff abide by the code. MPs should sign an annual declaration confirming that they have abided by the code of conduct and used resources intended for parliamentary purposes appropriately.

Recommendation 18

Subject to the outcome of the House of Commons Commission Report on central employment, MPs should continue to be able to select and directly appoint their own staff. Appointments should be made on the basis of merit and open recruitment. The House of Commons authorities should issue binding guidance, accompanied by a code of practice, setting out the processes to be followed by MPs when recruiting staff (including those working in constituencies) and on other matters of good employment practice, including disciplinary and grievance procedures. MPs should receive appropriate training and HR support.

Recommendation 19

MPs' staff should no longer receive redundancy pay from the winding-up allowance. Redundancy pay should be paid centrally by the House of Commons authorities, and the size of the winding-up allowance reduced accordingly.

Recommendation 20

Particular attention should be paid in the more robust audit now being introduced to ensure that the administrative and office expenditure allowance is not being used to provide benefit to a party political organisation. Should the audit show it to be necessary, the independent regulator should ban payments from expenses to party political organisations.

Recommendation 21

Equipment purchased through the administrative and office expenditure budget should be regarded as public property. The independent regulator should issue guidance putting this principle into practice in a pragmatic way.

Recommendation 22

MPs should no longer be entitled to claim for accountancy costs to help fill out tax returns.

Recommendation 23

The communications allowance should be abolished. MPs should continue to be able to communicate proactively with their constituents, but the cost should be met from within the reformed administrative and office expenditure allowance. The current cap on postage and stationery, and the rules regarding proactive communications, should remain in place.

Recommendation 24

MPs should meet the cost of normal commuting journeys themselves, as do most of their constituents. MPs whose constituencies are beyond daily commuting distance should continue to be reimbursed for the cost of travel between their constituencies and London residences.

Recommendation 25

MPs should not be allowed to claim for the cost of travel to or from a home which is neither in nor close to their constituency.

Recommendation 26

Travel expenses should only be claimed for journeys where the primary purpose and predominant activity are the fulfilment of parliamentary duties.

Recommendation 27

MPs should continue to be permitted to claim for first class train travel for longer journeys where issues of space or privacy in which to work make this appropriate. However, MPs should always ensure that value for money for the taxpayer is provided when making travel arrangements. The audit arrangements should include proportionate checks to ensure that this is happening in practice.

Recommendation 28

MPs who represent constituencies beyond a reasonable commuting distance from Parliament should continue to be entitled to claim for travel for family members. Reimbursement should only be claimable for travel between the constituency and London, and vice versa. Best value for money should always be pursued in purchasing these tickets and only the cost of standard class tickets should be claimable. Claims for family travel when Parliament is not sitting should only be permitted in exceptional circumstances.

Recommendation 29

Receipts and explanations of the purpose of the journey should be required for all travel claims. Where mileage is claimed, details of the distance and purpose of each journey should be provided. Details of individual travel claims by MPs should be available online.

Recommendation 30

The resettlement grant should be retained for MPs who lose their seats at a general election, as the result of deselection or because of boundary changes. MPs who voluntarily stand down at a general election should no longer receive the grant. They should instead receive eight weeks' pay from the date of the general election.

Recommendation 31

The resettlement grant should be paid at a rate of one month's salary for each year of service as an MP up to a maximum of nine months' salary, as proposed by the SSRB.

Recommendation 32

The new arrangements for the resettlement grant should not apply at the next general election, but should come into force immediately after that.

Recommendation 33

Where an MP is found to have seriously abused the expenses system or otherwise seriously breached the Code of Conduct, the Standards and Privileges Committee should always consider recommending that the House reduce or remove the resettlement grant from that MP as part of any sanctions to be imposed and should be prepared to do this for past as well as for future breaches of the rules. The new statutory scheme should empower the House of Commons to impose such a sanction by resolution.

Recommendation 34

MPs should remain free to undertake some paid activity outside the House of Commons, provided it is kept within reasonable limits and there is transparency about the nature of the activity and the amount of time spent on it.

Recommendation 35

Consideration should be given to ways of increasing the accessibility and usability of the Register of Members' Financial Interests.

Recommendation 36

MPs should be required to register positions of responsibility in voluntary or charitable organisations, even if unpaid, together with an indication of the amount of time spent on them.

Recommendation 37

All candidates at parliamentary elections should publish, at nomination, a register of interests including the existence of other paid jobs and whether they intend to continue to hold them, if elected. The Ministry of Justice should issue guidance on this in time for the next general election. Following the election, consideration should be given as to whether the process should become a statutory part of the nominations process.

Recommendation 38

The MPs' Code of Conduct should be revised to allow complaints to be made against an MP who is a former minister and who takes on outside paid employment but does not follow advice provided by the Advisory Committee on Business Appointments (ACOBA).

Recommendation 39

Any MP whose presence in London on business related to their parliamentary role is infrequent should be expected to stay in hotels rather than claim the cost of permanent accommodation in London.

Recommendation 40

The practice of permitting a Westminster MP simultaneously to sit in a devolved legislature should be brought to an end, ideally by the time of the elections to the three devolved legislatures scheduled for May 2011.

Recommendation 41

The independent regulator should have a statutory duty to support MPs efficiently, cost-effectively and transparently in carrying out their parliamentary functions.

Recommendation 42

Responsibility for maintaining the register of financial interests and the associated code of conduct should be removed from the independent regulator and returned to the House of Commons.

Recommendation 43

The independent determination of MPs' pay and pensions should be entrenched in primary legislation in the same way as expenses. The independent regulator should therefore be given statutory responsibility for setting MPs' pay levels and overseeing MPs' pensions as well as for dealing with expenses.

Recommendation 44

Responsibility for investigating allegations about breaches of the rules on expenses should be vested in the independent regulator, which should be able to appoint its own compliance officer for this purpose. The compliance officer should be able to conduct an investigation on his or her own initiative, at the request of the independent regulator, or in response to a complaint from a member of the public or an MP.

Recommendation 45

The independent regulator's enforcement regime should be strengthened by giving it the power to:

- Compel MPs to cooperate with the new body, including through the provision of relevant information.
- Require the repayment of wrongly paid or misclaimed sums, with associated costs if appropriate.
- Impose, subject to the procedural safeguards laid out in the Act, its own non-parliamentary sanctions for breaches of the expenses regime (including where necessary of a financial nature) analogous to those available to HMRC and DWP, without the need to report to the Commissioner for Parliamentary Standards.

Recommendation 46

The appointments of the chair and members of the regulatory body should be carried out with the involvement of an independent panel, following the Commissioner for Public Appointments Code of Practice, to advise the Speaker's Committee.

Recommendation 47

The chair of the new regulatory body should be appointed for a single, non-renewable five year term. The other members of the new body should in principle be appointed on the same basis. But some flexibility may need to be shown in relation to those appointed in the first round.

Recommendation 48

The Speaker's Committee on the independent regulator should include three lay members drawn from outside Parliament who have not previously been MPs or peers. They should be chosen through the official public appointments process and formally approved by the House.

Recommendation 49

The independent regulator should be placed under a general duty to act openly and transparently, to give reasons for any revisions to the expenses scheme, and to report, and take account of, the views of the general public as well as the House of Commons.

Recommendation 50

The Parliamentary Commissioner for Standards should be able to conduct investigations without waiting for a formal complaint and should include in any report to the Standards and Privileges Committee an indication of the seriousness of any breaches in the rules or code of conduct which have occurred. The Commissioner's reports should continue to be published.

Recommendation 51

There should be at least two lay members who have never been Parliamentarians on the Standards and Privileges Committee. Their appointment should be made in the same way as that of the lay members of the Speaker's Committee of the independent regulator.

Recommendation 52

The external members of both the Standards and Privileges Committee and the Speaker's Committee of the independent regulator should have full voting rights. If the House authorities are of the opinion that clarifying the question of parliamentary privilege in that regard requires an amendment to the Parliamentary Standards Act, the Government should facilitate this

Recommendation 53

The sunset provisions in the Parliamentary Standards Act 2009 should be repealed.

Recommendation 54

At the end of each financial year MPs should be required to complete an annual compliance statement certifying that all claims made during the financial year complied with the principles and rules of the new scheme, and that any actual or suspected breaches have been reported.

Recommendation 55

An induction session on the new scheme should be offered to all MPs. If an MP does not undertake the induction session within the requisite period, the independent regulator should consider deferring payments due under the scheme until the induction session has been completed.

Recommendation 56

MPs should be required to sign a declaration on every claim that each item of expenditure was incurred wholly, exclusively and necessarily in the course of their parliamentary duties and that it complies with the principles and rules that are set out in this Report.

Recommendation 57

Receipts or other documentary evidence should be required for all claims.

Recommendation 58

The independent regulator and the House of Commons should establish a joint audit committee to oversee the assurance arrangements for MPs' expenses, facilities and support arrangements. The chair and the majority of the membership of the audit committee should be independent of Parliament. The joint audit committee should publish an annual report on its activities and its opinion on the effectiveness of the system of internal controls of the new independent regulator and the House of Commons.

Recommendation 59

Effective whistleblowing procedures should be introduced by the independent regulator and by the House of Commons.

Recommendation 60

The independent regulator should continue to publish, at least quarterly, each individual claim for reimbursement made by MPs with accompanying receipts or documentary evidence. The information published should not be confined to claims actually reimbursed.

Summary of key reforms to the expenses regime

Accommodation		
Past arrangements	Interim measures	Proposed future system
MPs were able to claim up to £24,222 towards accommodation costs. Claims could include mortgage interest, rent or hotel costs.	Claims can include mortgage interest, rent or hotel costs up to a maximum of £1,250 per month.	Support will only be provided for rent or hotel costs. MPs will have accommodation directly provided by the new regulator through an agency. Bills will be paid directly by that agency. Under transitional arrangements, MPs with existing mortgages will be able to claim for mortgage interest until the end of the next Parliament.
MPs could claim not only for basic costs such as utilities, council tax, and building and contents insurance but also for services such as cleaning and gardening and for items such as white goods.	MPs can only claim for costs such as utilities, council tax, service charges, and building and contents insurance.	MPs will only be able to claim for basic costs such as utilities, council tax, and contents insurance.
MPs could claim for the cost of maintaining their properties, including any repairs or redecoration. Claims could not in principle be made for anything improving the capital value of a property.	MPs can no longer claim for the costs of furnishing, repairs, or maintenance.	Interim arrangements to be made permanent.
MPs could claim £25 a night for food without needing to provide receipts when staying away from their home.	MPs can claim £25 a night for subsistence without needing to provide receipts when staying away from their home.	Only MPs staying in hotels will be able to claim for the costs of meals up to £25 a night. Receipts will be required.
MPs with constituencies in outer London can claim for the cost of a second home if they so wish.	From April 2010 MPs with constituencies in outer London will no longer be able to claim for the cost of a second home. (Permanent change)	No MP who represents a constituency falling within a reasonable commuting distance of Parliament will be eligible to claim for the cost of a second home.
MPs did not have to pay capital gains tax on the sale of second homes.	MPs should pay capital gains tax on the sale of second homes funded by the accommodation allowance.	Any capital gain made during the transition period and attributable to support from public funds should be surrendered to Parliament.

Accommodation		
Past arrangements	Interim measures	Proposed future system
MPs who do not claim for the cost of accommodation instead receive a £7,500 London costs allowance	No change.	London costs allowance should be reduced to the level recommended by the SSRB (which would currently be £3,760). There should be a higher allowance for those with constituencies outside the Greater London area who do not receive taxpayer funded accommodation. Commuting MPs who work late can claim for cost of travel home or overnight hotel.
In practice though not in principle MPs could allegedly change the designation of their main and second homes to maximise personal benefit.	No further changes to be made to designation of second homes in 2009-10, with a transparent appeal procedure for exceptional cases.	Designation of second homes to be determined in line with rigorously enforced objective rules policed by the new regulator.
Ministers who have the use of grace and favour homes in London can claim the costs for a second home in London as well.	Ministers living in grace and favour homes in London can no longer claim for the costs of a second home in London	Interim measure to be made permanent.
MPs who share accommodation can each claim the full allowance.	MPs who share accommodation as partners are limited to claiming a maximum of one person's accommodation allowance between them.	MPs who share accommodation as partners should be entitled between them to claim up to a limit of one individual ceiling, plus one-third.

Staffing	
Current arrangements	Proposed future system
MPs may currently claim up to £103,812 to employ staff to support their parliamentary duties.	No change.
Staff are appointed and employed by MPs.	Staff will continue to be recruited by MPs, but must be appointed through an open and transparent process.
MPs may employ members of their own families using public funds.	MPs will no longer be allowed to use the staffing allowance to fund the employment of family members. Transitional arrangements will allow existing family members to remain in their posts for one more Parliament.
It is a breach of the House of Commons Code of Conduct for MPs' staff to be used in support of party political activities.	It remains a breach of the House of Commons Code of Conduct for MPs' staff to be used in support of party political activities. But there should be a code of conduct for staff, and MPs should sign an annual declaration confirming that they have abided by the code and used parliamentary resources appropriately.
Pay ranges are set centrally, though MPs have discretion as to where to place staff within the pay scale. MPs have discretion to award bonuses up to a certain limit.	MPs should continue to set their staff's pay in accordance with central pay scales. Guidance on good employment practice should be issued by the new regulator.
Staff receive their redundancy pay from the winding-up allowance.	Staff redundancy pay should be provided centrally by the new regulator and the size of the winding-up allowance reduced <i>pro rata</i> . Redundancy pay for MPs' staff should be paid centrally by the new regulator.

Administrative and office expenditure	
Current arrangements	Proposed future system
MPs can claim up to £22,293 to meet office running costs and pay for additional services.	No change.
MPs can rent offices and pay for services from party political organisations, provided that the political party does not benefit. An independent valuation is required prior to renting from a party political organisation.	New audit arrangements should ensure that parliamentary funds are not used either intentionally or inadvertently to give rise to material benefits for political parties. An independent valuation should still be required prior to renting from a party political organisation.
On leaving Parliament MPs retain ownership of office equipment purchased with public funds.	Equipment purchased using public funds should remain the property of Parliament.

Communications	
Current arrangements	Proposed future system
MPs may claim a £10,400 a year communications allowance to communicate proactively with constituents.	No communications allowance. Proactive communication must be paid for out of the existing administrative and office expenditure budget. Current policing arrangements should continue to apply.

Travel	
Current arrangements	Proposed future system
MPs may currently claim for all costs of travel for parliamentary duties between home, constituency, and office.	MPs will no longer be able to claim for reasonable commuting costs and must pay for these in the same way as their constituents. No MPs can claim for the cost of journeys to a home outside the constituency or London.
MPs may travel first class.	MPs should always consider value for money in purchasing tickets. They may still be able to claim for first class rail travel where they can justify it, but can only claim for economy class travel on flights within the UK or Europe.
MPs may claim for the cost of family travel up to a set limit.	MPs may continue to claim for the cost of family travel up to the limits currently in place. However, they may no longer claim for first class travel for family members, and may only claim for family travel during recess in exceptional circumstances.
MPs do not have to submit supporting evidence for journeys below a certain <i>de minimis</i> level, depending upon constituency size.	MPs should submit receipts and details of all journeys, to be published online. Where appropriate, class of travel should also be published.
MPs may claim up to three return visits a year to national parliaments of Council of Europe member states, and EU institutions and agencies. For each visit the Member may claim for two nights' subsistence.	No change.
MPs may claim for the cost of staff travel up to a set limit.	No change.

Leaving office	
Current arrangements	Proposed future system
MPs who lose their seats or stand down at a general election receive a resettlement grant of between 50 and 100 per cent of annual salary.	MPs who lose their seats at a general election should receive one month's pay for every year served up to a maximum of nine months salary. MPs who stand down at a general election should receive eight weeks' pay from the date of the general election in lieu of notice to cover time spent winding-up offices, dealing with staff, and transferring casework. Loss of resettlement grant should be one of the sanctions considered as a penalty for MPs found guilty of breaching the Code of Conduct.
MPs may claim for the costs of a winding-up allowance to meet necessary expenditure incurred after leaving office – e.g. to settle outstanding bills or pay staff who have been given notice.	No change to claims for the winding-up allowance. The amount claimable should be reduced to reflect the fact that redundancy pay for staff should in future be paid out of a central budget.

Chapter 1

Introduction

The Committee's remit and terms of reference

- 1.1 The Committee on Standards in Public Life was set up in October 1994 by the then Prime Minister, Rt Hon Sir John Major, to:

Examine current concerns about standards of conduct of all holders of public office, including arrangements relating to financial and commercial activities, and make recommendations as to any changes in present arrangements which might be required to ensure the highest standards of propriety in public life.

- 1.2 Our terms of reference were subsequently amended in 1997 by the then Prime Minister, the Rt Hon Tony Blair, to include the funding of political parties.
- 1.3 This is the Committee's Twelfth Report.¹ It is the result of a comprehensive review of all aspects of the expenses regime for Members of Parliament. The objective was to devise new arrangements which will command public confidence and which will effectively support MPs in their important and difficult jobs. The Committee has set out to construct a regime which allows MPs to claim for expenses properly incurred without creating suspicion that they are somehow obtaining personal advantage. We have sought to put in place rules that are enforceable and sustainable over the longer term and which are underpinned by properly embedded principles.

Background to the review

- 1.4 There can be little doubt of the depth of public anger over the revelations of the last two years, anger which is directed at both individual MPs and at the House of Commons in general. The arrangements for regulating the parliamentary expenses scheme have been shown to be seriously deficient. There is clear evidence of major systemic failure in an area where the public had a right to expect the highest standards of integrity. Criticism has been directed not just at serious breaches of the rules, but at the nature of many of the rules themselves. Some of the rules, or the way they have been interpreted, have appeared to be out of line with the Seven Principles of Public Life.
- 1.5 It has been argued that this situation came about partly because of the unwillingness of successive governments to increase MPs' pay for fear of a political backlash – a reluctance which has led, at times quite explicitly, to greater generosity in setting the regime for expenses. Others have identified a culture of deference in the House, which made it difficult for members of staff to challenge claims submitted by MPs in the way which might be expected of finance staff in other organisations. This difficulty was compounded by inadequate monitoring and auditing.
- 1.6 The effect has been to seriously damage the reputation of the House of Commons. A degree of scepticism about those in authority is a healthy part of democracy. The present situation goes well beyond that, undermining trust in politicians and contributing to a divide between MPs and those they represent.

- 1.7 This report is intended as a first step towards rebuilding confidence in the integrity of Parliament as an institution. It makes recommendations about the arrangements for administration, for regulation and audit, and for public reporting, as well as about the structure of expenses and allowances. It also considers two areas on which the Prime Minister has explicitly asked for the Committee's views – MPs' paid outside interests and aspects of the way the expenses regime applies to Northern Ireland MPs.

Pensions and pay

- 1.8 The inquiry has focussed on expenses. It has deliberately not looked at *the level of* either pensions or pay. The SSRB is currently undertaking a review of MPs' pensions which is due to report by the end of the year. If current practice is followed, there will be a review of MPs' pay in the first year of the next Parliament.
- 1.9 A few witnesses have argued that it is wrong, and potentially unfair, to determine the expenses regime separately from the level of pay and pensions. We argue in Chapter 13 that MPs' pay and pensions, which like expenses should be determined independently of the House of Commons, should be dealt with by the same body as expenses. But the issues still need to be kept separate. It is partly because of a muddling of the distinction between salary and expenses that the present situation has come about.
- 1.10 Our role has been to make proposals to establish a reformed and robust system of expenses. We are conscious that some of our recommendations may reduce the attractiveness of the role to some people. We make no apologies for that. It is not the function of an expenses system to provide rewards, covert or otherwise, for doing the job. If it is true that the role of an MP fails to provide sufficient financial reward to attract people of the necessary quality, that is something which should be addressed through the basic salary, independently determined.

The importance of transparency

- 1.11 We are clear that some of the evidence relevant to this inquiry would not have come to light had it not been for the actions of journalists in pursuing the issue with such persistence and determination. One of the features of Parliament's reaction to recent events has been the resistance shown to successive attempts to obtain details of individual expenses claims under the Freedom of Information Act 2000. A ruling by the Information Tribunal requiring the publication of a more detailed breakdown of expenses claims was taken by the House of Commons authorities to the High Court. It was only in June this year that the relevant information was published by the House of Commons, with some material concealed, or "redacted", for reasons of personal privacy and security. The same details, in an unredacted form, had been published by the *Daily Telegraph* the previous month following a leak. Their publication disclosed a degree of weakness in the system which had not previously been entirely apparent.
- 1.12 MPs have now accepted that equivalent information will be published routinely in future. The Committee believes that a high level of transparency is a crucial part of maintaining the integrity of the system. It is evident that a significant number of the claims made under the previous regime would not have been made if the MPs concerned had known at the time that the details would be in the public domain.

Interim changes

- 1.13 Parliament has not waited for the outcome of this inquiry before beginning to reform the expenses system. But that process has, at best, been disjointed.
- 1.14 A first set of changes was agreed in July 2008 following an internal review conducted by the House of Commons Members Estimate Committee (MEC). The proposals put forward by that Committee were at that stage relatively limited in scope. Even so, 7 of the 18 recommendations were rejected by the House of Commons. The rejected recommendations included the proposals that receipts should be required for all claims, that claims for furnishings and capital improvements should no longer be allowed and that for the first time expenditure should be subject to annual full scope audit by the National Audit Office (NAO). The existing external audit was very limited, not seeking to investigate beyond the Member's confirmation that expenses had been properly claimed. It is clear that at that stage many MPs had failed to understand the urgent need for reform.

- 1.15 Further changes were agreed in January 2009. Importantly, these included a proper ‘full scope’ external audit beginning with spending in 2009-10.
- 1.16 In April 2009, after this inquiry had begun, the House agreed a set of proposals made by the Prime Minister. These have the effect of:
- From April 2010, putting MPs with outer London constituencies on the same, more restricted, footing as inner London MPs in respect of accommodation expenses.
 - Requiring receipts to be produced for all relevant claims (the threshold had previously been reduced to items costing more than £25).
 - Requiring more details to be published of any earnings MPs may have from activities outside the House.
- 1.17 In May 2009, after talks between the leaders of all the political parties, further significant changes were announced to curb claims for accommodation expenditure. These changes were described as ‘interim measures’ pending the outcome of this inquiry.
- 1.18 Finally, in July 2009, legislation was enacted establishing a new organisation, the Independent Parliamentary Standards Authority (IPSA), to set and pay MPs’ expenses claims as well as to pay (but not determine) their salaries.
- 1.19 Quite separately, Sir Thomas Legg is conducting a review of all past claims for accommodation expenses over the period 2004-05 to 2008-09 against the rules and standards in place at the time, with a view to identifying any which should not have been made, and any claims which otherwise call for comment.
- 1.20 Further details of the interim changes and, where appropriate, the Committee’s view of them, are included in the relevant chapters of this report.

The Committee’s approach to the review

- 1.21 The Committee determined from the outset that this inquiry would be both thorough and comprehensive.
- 1.22 We understood the desire of many in the House of Commons for the inquiry to be completed as quickly as possible, so that the difficulties of the past few months can be put behind them. But we resisted attempts to accelerate the timetable to a point which we considered would risk the inquiry’s integrity and authority.
- 1.23 The Committee also considered it important that anyone who wished to do so could make a contribution, and that our proceedings should be as transparent as possible, in line with our normal practice.
- 1.24 The inquiry was launched in April 2009 by the publication of a consultation paper inviting comment from all interested parties. In total we received 732 responses covering a wide range of issues. Our task was made easier by the insights we gained as a result. The names of individuals and organisations that submitted evidence are listed in Appendix 3. We are grateful to them all.
- 1.25 The Committee also had the advantage of being able to see the report of the inquiry into the expenses regime in the Scottish Parliament chaired by Sir Alan Langlands (the *Langlands Review*)² in 2008 and that of the corresponding review of the National Assembly for Wales by an independent panel chaired by Sir Roger Jones (the *Jones Review*)³ published in July 2009.
- 1.26 We held nine public hearings in June and July 2009, during which we had the opportunity to hear from 76 witnesses. The list of those who gave oral evidence is attached as Appendix 2. In addition we set up eight focus groups with a total of 100 members of the public, not as a representative sample but to test areas of our thinking and as a cross check on our understanding of public opinion.
- 1.27 We have also, where relevant, drawn on comparative research on the expenses schemes of other national assemblies undertaken by the House of Commons Library, the Scottish Parliament and others.

These comparisons were valuable in illustrating the range of options available, and their advantages and disadvantages. Practice varies across the globe, depending on the context and culture in which different legislatures operate.

- 1.28 The evidence received has been published on the Committee's website www.public-standards.org.uk.

Nomenclature

- 1.29 The current scheme is widely known as the 'Members' Allowances Scheme'. The term 'allowance' can give the misleading impression that the sums involved represent entitlements rather than amounts which have to be justified as necessary expenditure incurred wholly and exclusively in the performance of parliamentary duties. In this report we therefore use the words 'expense' and 'expenses scheme' rather than 'allowance' and 'allowances scheme', except where the sum in question really does represent an allowance and not the reimbursement of expenses.

Structure of the report

- 1.30 The two chapters immediately following this introduction deal with important preliminary issues – the roles of a Member of Parliament and the principles which the Committee believe should apply to the reimbursement of expenses. Chapters 4 to 10 explain the history of the current expenses scheme and deal in turn with each of the major headings under which expenses or allowances may currently be claimed. Chapters 11 and 12 consider the two issues on which the Committee was expressly asked for views by the Prime Minister. Chapters 13 and 14 consider the arrangements for administration and enforcement and for assurance and transparency. The last chapter sets out the financial implications from implementing the recommendations in this report. There are a number of appendices, listed in the index. There is also an accompanying CD-ROM included with this report which contains the transcripts of the public hearings and additional background papers.

Cost of the inquiry

- 1.31 The cost of this inquiry was £393,000.

References

- ¹ Information about the Committee, including its membership during the current inquiry is included as Appendix 1. A list of previous reports is included as Appendix 5.
- ² Langlands, A., et al. (March 2008), *Independent Review of Parliamentary Allowances: Report to the Scottish Parliamentary Corporate Body on the Reimbursement of Expenses for Members of the Scottish Parliament*.
- ³ Jones, R., et al. (July 2009), *Getting it Right for Wales: An independent review of the current arrangements for the financial support of Assembly Members*.

Chapter 2

The roles of Members of Parliament

- 2.1 The Committee has undertaken a number of steps over the last six months to ensure that it has a good understanding of the roles of an MP. Each member of the Committee involved in the review has spent time shadowing a Member of Parliament. The nature of the role of an MP has been a topic of comment in written submissions and letters we received from members of the public, MPs and others, and has been explored with some witnesses during public hearings. The Committee has also reviewed existing literature on the subject.
- 2.2 New MPs are not provided with a job description or role specification. Individual MPs have complete autonomy on how to discharge their role and are held accountable for their decisions by voters at the ballot box. The Hansard Society has observed:
- “There is no prescribed list of responsibilities only conventions, customs and the desire to be re-elected.”¹*
- 2.3 There are, however, a number of recognised functions commonly expected of MPs which have been set out in various texts over the years. A 2007 report from the House of Commons Modernisation Select Committee² listed these functions as:
- Representing and furthering the interests of their constituency.
 - Representing individual constituents and taking up their problems and grievances.
 - Scrutinising and holding the Government to account and monitoring, stimulating and challenging the Executive.
 - Initiating, reviewing and amending legislation.
 - Contributing to the development of policy whether in the chamber, committees or party structures and promoting public understanding of party policies.
 - Supporting their party in votes in Parliament (furnishing and maintaining the Government and Opposition).
- 2.4 In order to fulfil their roles MPs may require research and secretarial support. They need the means to correspond and communicate with constituents, government departments and a range of other organisations. Since they have to spend time both in Westminster and their constituencies many need accommodation and office facilities in both places. Parliamentary business will also occasionally take them to other parts of the United Kingdom, the European Union and other countries.
- 2.5 The expenses system needs to ensure that MPs are provided with reasonable levels of support in all these areas. The regime must also have sufficient flexibility to allow for the fact that individual MPs can give different emphases to different aspects of the role over time. The ability of MPs to determine for themselves how best to do their job is an important aspect of parliamentary privilege, a doctrine which is a key tenet in our unwritten constitution.³

How are MPs different?

2.6 One of the themes that emerged from the written submissions and correspondence the Committee received from members of the public was the perception that the system for reimbursing expenses allowed Members of Parliament to make claims for items of expenditure that few members of the public could legitimately claim back from their employers, such as the costs of a second home or the daily commute. One of the first individuals who wrote to this inquiry told us:

“The root of the problem lies in one simple principle: the rules applied to MPs’ expenses are quite different to those applied to the taxpaying public.”⁴

2.7 This perception is compounded by a feeling that sanctions for breaches of the rules on expenses tend to be less severe than in other walks of life.

2.8 There can be little doubt that being an MP is unlike any other role and involves some unusual features:

- Responsibility for legislation, and the parliamentary privileges associated with the sovereignty of Parliament.
- Direct accountability to constituents through elections.
- The requirement to have two places of work – in Westminster and in the constituency – and to travel regularly between them.
- The potentially unlimited demands on an MP’s time and the fact that an MP’s duties are rarely, if at all, circumscribed in terms of hours or duties, in the way that most jobs are, either legally or by convention.
- The risk of losing their jobs at regular, or occasionally irregular, intervals, not necessarily related to their own performance and often not knowing for certain until the last minute.

2.9 Not all of these features are unique to MPs. Health and care professionals among others may be required to work long, erratic, and unsociable hours and the provision of accommodation or additional accommodation may be a condition in a number of jobs. What appears to set MPs apart is the unique combination of demands and expectations.

2.10 The fact that being an MP combines a number of what would be regarded as unusual working patterns does not mean that the way expenses are treated elsewhere in the economy should be disregarded. Where there are similarities between the requirements of MPs and those in other professions, we have looked at the arrangements operating in other sectors to provide those needs. For example, in the relevant chapters on staffing, travel and accommodation, we draw, wherever appropriate, on the arrangements for providing these resources in other parts of the economy. The Committee has taken care not to ignore those features of an MP’s role and position which are different or exceptional. However, where differences do exist they should be justified explicitly, rather than being taken for granted.

References

- ¹ Hansard Society, *A Year in the Life: From member of the public to Member of Parliament, 2006*, p. 30
- ² Select Committee on Modernisation of the House of Commons, *Revitalising the Chamber: the role of a back bench Member*, First Report of Session 2006-07, 13 June 2007, HC 337, p. 9
- ³ The concept of parliamentary privilege is explained more fully in Chapter 13
- ⁴ Ev 018 (D. Harper)

Chapter 3

Fundamental principles

Principles

- 3.1 The new system for regulating the reimbursement of MPs' expenses must be based upon clearly articulated principles. Some MPs have sought to justify inappropriate behaviour by claiming that it is 'within the rules'. But rules cannot cover every eventuality, and firm principles are required to guide their interpretation.
- 3.2 The Seven Principles of Public Life were established in 1995 by this Committee, under the chairmanship of Lord Nolan, to guide the actions of people in public life and ensure that their behaviour was compatible with acceptable ethical standards. Members of Parliament, above all others, need to abide by the Seven Principles. Had there not been a collective failure to implement them consistently in the House of Commons, this report would not need to have been written. The Seven Principles need some elaboration in this context.
- 3.3 In the Committee's view the principles underlying the system for MPs' expenses should be the following:

Figure 1: Principles underlying the system for MPs' expenses

- Members of Parliament should always behave with probity and integrity when making claims on public resources. MPs should be held, and regard themselves, as personally responsible and accountable for expenses incurred, and claims made, and for adherence to these principles as well as to the rules.
- Members of Parliament have the right to be reimbursed for unavoidable costs where they are incurred wholly, exclusively, and necessarily in the performance of their parliamentary duties, but not otherwise.
- Members of Parliament should not exploit the system for personal financial advantage, nor to confer an undue advantage on a political organisation.
- The system should be open and transparent, and should be subject to independent audit and assurance.
- The details of the expenses scheme for Members of Parliament should be determined independently of Parliament.
- There should be clear, effective and proportionate sanctions for breaches of the rules, robustly enforced.
- The presumption should be that in matters relating to expenses, MPs should be treated in the same manner as other citizens. If the arrangements depart from those which would normally be expected elsewhere, those departures need to be explicitly justified.
- The scheme should provide value for the taxpayer. Value for money should not necessarily be judged by reference to financial costs alone.

- Arrangements should be flexible enough to take account of the diverse working patterns and demands placed upon individual MPs, and should not unduly deter representation from all sections of society.
- The system should be clear and understandable. If it is difficult to explain an element of the system in terms which the general public will regard as reasonable, that is a powerful argument against it.

Future reviews

- 3.4 These principles place responsibilities on individual MPs, on the administrators of the scheme and on the House of Commons collectively. The Committee elaborates what we think they mean for the structure of the expenses scheme and the arrangements for its regulation and control in the rest of this report. We also intend that they should be used by the new independent regulator to guide any future changes to the regime. It is important that the independent regulator keeps the new scheme that we have devised under review, as it is required to do by the Parliamentary Standards Act 2009. The independent regulator should review the maximum amounts claimable annually, in the light of inflation. It should also undertake comprehensive reviews of the whole scheme, in the light of the principles described in this chapter, at least once every Parliament.

Recommendation 1

MPs should always act in accordance with the Seven Principles of Public Life. Any future changes to MPs' expenses should be underpinned by the elaboration of those principles set out in this chapter.

Recommendation 2

The independent regulator should annually review the maximum amounts claimable in light of inflation. It should undertake comprehensive reviews of the whole scheme at least once every Parliament.

The House of Lords

- 3.5 The arrangements for providing financial support to members of the House of Lords is currently being considered by the SSRB. There are a number of important differences between the House of Commons and House of Lords. Peers, for example, do not currently receive a salary. But on matters relating to expenses there ought to be a consistent approach between the two chambers. The principles we have set out in this chapter should also, *mutatis mutandis*, in our view apply to the expenses system for members of the House of Lords.

Chapter 4

The existing expenses scheme

History

- 4.1 An allowance to support MPs in discharging their duties was first introduced in the early part of the twentieth century. In 1911, MPs were awarded a salary of £400, £100 of which was exempt from income tax, being regarded as an allowance for necessary parliamentary expenses. In 1954, the £100 tax-free allowance was replaced with a £250 addition to salary, increased to £750 in 1957 and to £1,250 in 1964. An explicit allowance for MPs' secretarial and administrative costs was introduced in 1969. It was only in 1972 that a clear distinction was drawn between MPs' pay and their allowances for expenses incurred in carrying out parliamentary duties.¹ Over the last 30 years there has been significant increase in the maximum amount claimable by individual MPs. It currently stands at around £160k per year excluding travel expenses. Unfortunately the systems of control – audit and assurance – have not kept pace with the increase in expenditure.
- 4.2 Historically, the arrangements for reimbursing expenses, and the maximum claims which may be made under different headings, have always been determined by MPs themselves. The SSRB has periodically looked at expenses as part of its independent reviews of MPs' pay and allowances. However, its recommendations have not always been accepted by Parliament.

Current scheme of expenses

- 4.3 The current scheme for MPs' expenses is set out in the *Green Book*.²
- 4.4 The total amount claimed by Members of Parliament under the expenses scheme in 2008-09 was £93.9 million.³ The current *maxima* under the main headings are as follows:

Figure 2: Maximum expenses claims 2009-10

Type of expenditure	£
Accommodation expenditure	24,222
London costs allowance	7,500
Staffing expenditure	103,812
Administrative and office expenditure	22,393
Communications expenditure	10,400
Winding-up expenditure	42,068

Source: *Members' allowances – the Government's proposals for reform*, House of Commons Library note SN/PC/05046, May 2009

- 4.5 In addition, MPs can claim for the costs of travel on parliamentary business; and MPs who stand-down or are defeated at a general election receive a resettlement grant of between 50 per cent and 100 per cent of salary, depending upon age and length of service.

References

- ¹ Michael Rush, *Parliament Today* (Manchester University Press, 2005), p. 115 and 129
- ² House of Commons, *The Green Book: A guide to Members' Allowances*, July 2009
- ³ House of Commons, *Annual Report, Resource Accounts & Audit Committee Annual Report 2008-09*, HC 955

Chapter 5

Accommodation

Introduction

- 5.1 To do their jobs properly, Members of Parliament need to spend time both in Westminster and in their constituencies. MPs with constituencies outside inner London are therefore entitled to claim the costs of a second place to live, which can either be in Westminster or in their constituency, depending on the location of their main home. In addition, MPs are able to claim subsistence of up to £25 for every night spent away from their main home without producing receipts. Payments are not taxed.
- 5.2 Expenditure under this heading is currently referred to as personal additional accommodation expenditure (PAAE).
- 5.3 The 25 MPs who represent Inner London constituencies are not entitled to claim PAAE, on the grounds that they do not need second homes. They receive instead a London costs allowance. This payment, currently £7,500 a year, is subject to income tax and national insurance. It is not pensionable. MPs with constituencies outside inner London can choose either to receive the London costs allowance or to claim PAAE.
- 5.4 571 MPs currently claim PAAE. 14 MPs with constituencies outside London and 36 of the 54 MPs with outer London constituencies, all of whom could claim PAAE, opt for the London costs allowance instead.¹

Amounts claimed

- 5.5 The total amount claimed for PAAE was £10.7 million in 2008-09, accounting for 11.4 per cent of all expenses. That figure was £0.9 million lower than the amount claimed in 2007-08, perhaps reflecting the attention the issue had begun to attract.
- 5.6 The House of Commons has not always collected or collated details of spending in a way which facilitates in-depth analysis. But Figure 3, overleaf, shows the results of a sampling exercise of the successful expenses claims of 50 MPs in 2007-08. By far the most significant factor in accommodation claims in that sample was the cost of rent or mortgage interest.

Figure 3: Analysis of accommodation expenses paid to a sample of 50 MPs in 2007-08

Type of expenditure	Average claimed (£)
Mortgage/rent	11,639
Furnishings etc	564
Repairs, security, insurance	880
Service/maintenance	1,149
Council tax	962
Utilities	892
Telephone	279
Cleaning	577
Food	2,228
Total	19,170

Source: House of Commons Department of Resources

Recent changes

- 5.7 A number of changes have recently been made to these arrangements as the result of a Resolution of the House of Commons agreed on 30 April 2009 and a statement by the then Speaker on 19 May 2009. The two most important changes affecting accommodation are that:
- From 1 April 2010, MPs with constituencies which fall wholly within 20 miles of Westminster will be placed in the same position as inner London MPs. They will be able to claim the London costs allowance, but not PAAE.
 - Until the Speaker's statement it was possible to claim not only rent or mortgage interest, the costs of utilities, council tax, and so on but also for items such as televisions and electrical goods, furnishings, and home improvements. MPs can now claim only for rent, hotel accommodation, mortgage interest, overnight subsistence, council tax, service charges, utility bills, telephone charges and buildings and contents insurance. Claims for rent, hotel costs, and mortgage interest are now capped at £1,250 a month (£15,000 a year).
- 5.8 The May changes were described by the Speaker as "*interim measures*"², to apply until Parliament receives the recommendations of this Committee.
- 5.9 The maximum amount that can be claimed for accommodation in 2009-10 is £24,222. In practice the new restrictions on rent and mortgage interest will mean that many MPs may not be able to claim up to that limit.

Issues

- 5.10 Accommodation has been the most controversial of all the expenses issues. The Committee has therefore given it particular attention.
- 5.11 Few of those giving evidence have questioned the appropriateness of recognising in some way the additional accommodation costs necessarily incurred by the majority of MPs as the result of having two places of work. There is general acceptance that it would be unfair to expect MPs to have to meet these costs out of their own pockets when the need arises solely as the result of their duties as elected representatives. There is also recognition that if provision was not made for these additional costs then Parliament could become the preserve of the wealthy.
- 5.12 But there are a number of concerns about the way this principle has been put into practice. In particular:
- The generosity of the maximum amount that can be claimed, and the fact that this has been set by MPs themselves.

- The fact that some MPs appear to have regarded PAEE as an addition to salary to which they were entitled rather than simply to cover costs necessarily incurred as a result of staying away from home.
- The failure to draw a clear distinction between what is necessary and what may be desirable but is excessive when paid for out of public funds.
- The nature of some of the items for which it has, until very recently, been possible to claim, including, for example, expensive electrical goods and furnishings, and interior decoration.
- The possibility of making a substantial capital gain from the purchase of property supported by public funds (though the corollary is that an MP would also have to bear any capital loss).
- The fact that it is possible to designate a house simultaneously as a second home when claiming expenses but as a main residence when claiming exemption from capital gains tax.
- The opportunity which the system provided for some MPs to determine which of any two properties is the main home and which their second according to considerations of personal financial advantage – leading some MPs allegedly to undertake a practice now known as ‘flipping’ by changing their designated second home at advantageous points in time.
- The extent to which the scheme allows other forms of abuse, including, for example, accepting a capital sum from a landlord in return for paying a higher rent, the cost of which is then claimed back.
- The weakness of the House of Commons administration in policing the system.
- The ability of some MPs to claim for the costs of second homes even though their main homes are no further from Westminster than what many of their constituents regard as a normal commuting journey.

5.13 A solution has to be found which deals satisfactorily with all these issues if confidence is to be restored in the integrity of the system.

What type of accommodation is it reasonable to fund?

- 5.14 An important preliminary consideration is the nature of the accommodation for MPs that it is reasonable for the taxpayer to fund.
- 5.15 A number of members of the public have suggested that MPs should be expected to stay in hotels when in London on parliamentary business, and should be reimbursed for actual costs of overnight stays at a list of approved hotels.
- 5.16 The Committee understands why this view has been put forward. Reimbursement of hotel costs is the arrangement which applies to large numbers of people in the private or public sectors when away from their homes on business. For some MPs it could be cheaper than paying rent or mortgage interest, depending on the number of nights spent in London.
- 5.17 On the other hand, an MP generally signs up for a minimum term of four or five years. Long-serving MPs may sit in Parliament for upwards of 30 years. In the Committee’s view it is unreasonable to expect an MP to spend a significant proportion of each year living out of a suitcase. The effect of such an arrangement on the diversity of those willing to enter public life is likely to be substantial.
- 5.18 But the objective should not be to reproduce for MPs exactly the same level of accommodation as they might expect in their main homes. In this sense, the use of the term ‘second home’ is misleading. It is reasonable to provide MPs with sufficient additional accommodation to allow them to fulfil their duties, but not to provide them with everything they would normally expect to find in a main home:

“Personal Accommodation Expenditure [...] should not revolve around whether or not an MP has a second home. It should be about the reasonable costs incurred with having to stay away from the MP’s main home for a lot of the time. Although that may seem like a different way of saying the same thing, it is not.”³

- 5.19 However, any system should be able to incorporate flexibility for those with families, disabilities, or other particular needs, so as not to discourage them from seeking to enter Parliament. The Committee agrees with the view expressed by the Leader of The House:

“We do not want a Parliament that is just exclusively of people who are prepared to set their family life entirely on one side in order to enter Parliament, because then we will have a Parliament that does not understand the centrality of people’s families to their lives, does not understand about the daily juggling of bringing up children and going out to work and caring for older relatives, and then public policy will not be right.”⁴

- 5.20 In the Committee’s view the default provision for MPs, prior to any adjustments for family circumstances or other needs, should equate to the cost of a one bedroom flat, in reasonable proximity to Westminster (or the equivalent in their constituency), not necessarily within walking distance. To some extent, MPs should expect to have to make a trade-off between proximity and the ability to rent larger accommodation, if that is what they want, as many others do. Should they prefer more expensive accommodation, there is no reason why it should not be available on the basis that they pay for the additional costs themselves.

Accommodation: the main choices

- 5.21 There are four basic approaches to providing accommodation:

- Parliament could acquire and own the accommodation itself.
- MPs could receive a flat-rate allowance from which they would be expected to make their own arrangements.
- The present arrangements could be allowed to continue, involving support for mortgage interest as well as rent or hotel costs.
- Renting or hotel costs only could be allowed, with support for mortgage interest abolished. This would return the position to what it was some years ago.

- 5.22 The following sections consider these options in turn. Later parts of this chapter deal with a number of important subsidiary issues, and with the transitional arrangements.

Accommodation owned by Parliament

- 5.23 The option most favoured by members of the public in evidence to the Committee is that MPs should be housed in accommodation owned by Parliament, either in a barracks or block of apartments near Parliament or, as frequently suggested, in the athletes’ accommodation in the Olympic Village after 2012.

- 5.24 There are precedents for directly owned accommodation in other legislatures. In Sweden, for example, accommodation in Stockholm for Members who live outside the capital is provided rent-free by Parliament, which owns around 250 apartments.⁵ The Norwegian Parliament owns 140 flats to accommodate MPs with constituencies more than 40 kilometres from the Storting.⁶

- 5.25 The main arguments in favour of this approach are that it would:

- Remove entirely the scope for abuse.
- Mean that MPs would no longer need to find and maintain accommodation for themselves.
- Simplify administration.

- 5.26 The main arguments against are that:

- There would be a potentially substantial initial capital cost, at a time of public spending constraint. The extent of the cost would depend on the quality of the accommodation. Even the Olympic Village would have costs attached since other uses are already planned for it.
- The Committee’s surveys consistently show that the public want public office-holders to be in touch with their concerns. If the accommodation was all or mostly in one place it would risk reinforcing what some believe is already an inward-looking culture in Parliament. There are advantages both ways in MPs interacting as normally as possible with other tenants and local amenities. As one member of the public commented:

“It is important that they don’t get lost in the Westminster world and having a home with their families in London will at least keep the link with the rest of the real world.”⁷

- The use of a compound like the Olympic village or any other single block of accommodation is likely to involve significant continuing security costs.

5.27 For these reasons the Committee does not favour this option.

A flat-rate allowance

5.28 The second option is that MPs should receive a flat-rate allowance to cover their additional accommodation costs, or have the current allowance rolled into a substantial increase in salary.

5.29 Such a supplement could differ from normal pay in that it could be non-pensionable. It could be taxable or not. It could be paid as of right, or converted into a daily rate to be paid according to actual nights spent in London as the result of attendance in Parliament.

5.30 There are precedents for flat-rate allowances in other legislatures. MPs in the German Bundestag, for example, receive an allowance of €3,782 (approximately £3,500) a month. In addition to meeting accommodation costs, the allowance is expected to cover the establishment and upkeep of one or more constituency offices and travel. Payments are not exempt from tax. The Bundestag website states that:

“A lump-sum allowance for all Members based on average expenditure is the fairest and cheapest solution, as a system based on submission of receipts would create a huge increase in administrative expenditure for the Bundestag. Moreover, granting a lump-sum allowance means that the budgetary cost can be calculated precisely from the outset on the basis of the number of Members.”⁸

5.31 Not all the precedents are entirely favourable. In the European Parliament, MEPs are entitled to a daily allowance of €298 (approximately £275) to pay for accommodation, meals, travel and any other expenses involved in attendance.⁹ Concerns have been raised that this has created a ‘clocking-on’ culture. Similar allegations have been made about the behavioural effects of the daily attendance allowance paid to members of the House of Lords.

5.32 The approach has a number of supporters both inside and outside Parliament:

“My strong advice is to keep the new system simple. The simplest system would be one of fixed allowances payable to all MPs by virtue of their election to the House. Concerns that such allowances might be seen as extra pay could be addressed by a clear articulation of what is expected in return for the allowances.”¹⁰

“What’s wrong with giving the extra money, the £24,000 on top of their pay? Let them sort it out, you save all the accountability, costs, to manage them and micro-manage them, that then puts the responsibility back on them to organise their own accommodation.”¹¹

5.33 Others have strongly rejected the proposal:

“We need to get away from an ‘allowances’ culture and move back to one which pays only for actual expenditure incurred.”¹²

“While it would be a simple measure to increase pay and limit expenses, such an approach accepts the idea that MPs are in some way under-paid. They are quite clearly not, which [is] why so many of the recent expenses claims must be viewed as rank profiteering.”¹³

5.34 The main arguments for a cash allowance are that it would:

- Be simple to operate, and could result in efficiency savings through lower administration costs.

However, it would be more complicated if it were paid as an attendance allowance for which clocking-on was required, rather than as a simple addition to salary.

- Be straightforward to explain and understand.
- Give MPs the flexibility and discretion to decide best how to meet their individual needs.

5.35 The main arguments against it are that it would:

- Undermine the distinction between pay and reimbursement of expenses which the Committee regards as fundamental.
- Be inequitable between MPs with different family circumstances and living in different places.
- Be tantamount to legitimising the very practices which have brought the system into disrepute. It would look as if Parliament was responding to the abuses of the present arrangements, revealed by the publication of receipts, by simply removing the need to produce receipts.

5.36 A flat-rate allowance is unlikely, therefore, to meet the test of commanding public confidence or to satisfy the other principles set out in this report. For these reasons, the Committee does not favour it.

Continuing support for mortgage interest

5.37 A third option is to continue with a reformed version of the existing rules which allow MPs to claim the cost of mortgage interest as well as rent or hotel costs. It is the support provided out of public funds for mortgage interest which has been the main source of controversy, mainly because of the opportunity it has provided in the past to make large personal capital gains from publicly funded assets. The controversy has been aggravated by the fact that it has been possible for some MPs to realise these gains without paying capital gains tax by designating what has been their secondary home for the purposes of claiming expenses as their main home for the purposes of claiming tax exemption.

5.38 The main arguments that have been put forward in favour of continuing to allow support for mortgage interest payments are that:

- Support for mortgage interest gives MPs greater flexibility to make arrangements which suit their personal needs.
- It could also be cheaper for the public purse than paying the rent on an equivalent property.
- Provided the cost to public funds of paying for mortgage interest is no greater than with alternative arrangements, it should not matter that an MP can enjoy a potential benefit in the form of capital gains, particularly since they are taking the risk of potential capital losses:

*"If making a capital gain is seen by some as a 'crime', then it is a 'victimless crime' because it does not add in any way to the tax payer's burden: it is simply a function of market movement."*¹⁴

- The option to choose which of several properties should enjoy exemption from capital gains tax is not peculiar to MPs. It is available to anyone who owns two homes. HMRC rules allow taxpayers to designate whichever home they choose as the one on which they wish to claim exemption. It is not necessary to show that it is the more expensive or the one in which most time is spent.

5.39 There are some partial parallels in other countries. In those overseas legislatures where a flat-rate allowance is available for MPs it is sometimes possible to use it to help purchase a property. In France, members of the National Assembly are eligible to receive loans which they can use to buy homes or offices in Paris or their constituency. The average amount of such loans, provided for a period of ten years at 2 per cent, is €76,225 (approximately £70,000).¹⁵

5.40 The interim measures adopted by Parliament include some elements intended to address concerns about MPs' mortgage interest claims. As explained in paragraph 5.7 claims for either rent or mortgage interest are now capped at £1,250 a month. In addition the Speaker announced that:

*“Members should make a declaration in respect of any property on which they claim for expenditure that it is not – and will never be – their main residence for capital gains tax purposes.”*¹⁶

The implication is that in future any gains made on accommodation purchased with the help of public funds would in principle be subject to capital gains tax. How this would be enforced is not at present clear.

5.41 In the Committee’s view, the interim arrangements adopted by the House do not go far enough:

- In practice, those MPs claiming mortgage interest have not collectively made smaller demands on the public purse than those paying rent. Research conducted for the MEC found that on average MPs who claimed for the cost of mortgage interest had higher overall claims than those who claimed for the cost of rent, once costs for furnishing, legal fees, maintenance and repairs, etc. were taken into account.¹⁷
- The Committee is not aware of any other significant UK organisation in the private or public sector which routinely reimburses their employees for mortgage interest, except perhaps as part of special arrangements for very senior employees or by way of time-limited bridging arrangements following a move at the employer’s request.
- There is a clear difference between providing the resources necessary to do a job and allowing someone to gain an asset, and enhance their own personal finances, at public expense. In the case of MPs, the potential for gain is related to interest payments funded by the taxpayer rather than the individuals themselves.
- No doubt it can be attractive or convenient for some MPs to own two homes, one in London, and one in their constituency, and there can be no prohibition on this continuing. But, equally clearly, there is no necessity for this arrangement in order to ensure that an MP can fulfil his or her responsibilities. It is, therefore, not right for the taxpayer fund it.
- The ability to make a personal profit has led some MPs to enter into arrangements apparently designed to maximise personal gain rather than seeking to provide best value for the taxpayer. Some MPs share the public’s disquiet:

*“We made MPs (some MPs) into property speculators. I just do not think that is what was intended and it is certainly not what the public wants.”*¹⁸

- Arrangements for the support of mortgage interest for Members of the Scottish Parliament (MSPs) are in the process of being brought to an end following the 2008 *Langlands Review*. The National Assembly for Wales has agreed that the same should now happen for Assembly Members (AMs) following the *Jones Review*.

5.42 For these reasons, and because of the importance of making a clean break with what has become such a discredited arrangement, the Committee believes that under the new expenses scheme MPs should no longer be allowed to use public funds to pay mortgage interest or to meet any other costs incurred in purchasing properties. In future only rent or hotel costs should be reimbursed.

Recommendation 3

MPs should no longer be reimbursed for the cost of mortgage interest payments or any other costs associated with the purchase of a property. No new arrangements for support of mortgage interest should be allowed from the date of this report. In future only rent or hotel costs should be reimbursed. (Transitional arrangements are dealt with in recommendations 12 to 14).

5.43 Transitional arrangements for those with existing mortgage commitments are discussed later in this chapter.

Arrangements for paying rent

- 5.44 The Committee regards the recommendation that MPs should only be able to claim for the additional costs of living in rented properties, or where more appropriate, in hotels, as fundamental.
- 5.45 Once it is accepted, the issue arises of how these rented properties should be obtained. MPs could be left, as now, to find them for themselves. Or a commercial agency could be contracted by the independent regulator to carry out this task on their behalf.
- 5.46 There is a useful precedent in the scheme operated by the Ministry of Defence (MOD) for service personnel posted to London or elsewhere in the UK. The MOD has arrangements with a commercial agency which sources property on the open market. Service personnel are given a choice of two properties which have been identified with their particular requirements in mind. For example, service personnel with families will be provided with larger accommodation. Properties come furnished to specified standards, and can be equipped to include items such as beds, cupboards, kitchenware, etc. The scheme ensures that service personnel are provided with accommodation of an adequate size and standard without creating the potential for personal benefit. Service personnel who wish to do so can find alternative accommodation of the same broad standard, which may then be included in the scheme. Bills are met directly by the commercial agency. Where service personnel wish to live in accommodation of a higher standard, they can pay the difference in costs themselves.
- 5.47 Approximately 950 members of the armed forces a year are housed in London under this scheme – well in excess of the number of MPs. A large number are also housed elsewhere in the UK under the scheme.
- 5.48 Implementation of a comparable scheme for Parliament would create the potential for savings compared with a situation in which MPs made their own arrangements for renting – though much would obviously depend on the standard of property provided, the closeness to Westminster and the extent to which second homes continue to be located in London or constituencies.
- 5.49 Such a scheme would also have other attractions:
- No money would need to pass through the hands of MPs. There would therefore be no scope for, or grounds for suspicion of, abuses of the kind which have brought the current scheme into disrepute.
 - It would offer a more flexible way of providing for the diverse needs of those with families.
 - MPs would be spared worry about the maintenance and management of a second property.
 - It could make life easier for new MPs coming to London for the first time, since the task of finding adequate accommodation would not be a concern.
- 5.50 For these reasons, the Committee's view is that there would be considerable advantage in employing a commercial agency to find and maintain rented properties for MPs.
- 5.51 Ideally, a scheme of this kind would be set up in time to be available to the large number of new MPs expected to enter Parliament at the next election. This will set a demanding timetable for the independent regulator to draw up the details, undertake any necessary consultation, complete a procurement process, and find the necessary accommodation. It may need additional resources to do this. There is a considerable amount of existing expertise in this area, but the number of properties needed initially would not be enormous and the process does not necessarily need to be completed by next April. If they know that it is under way, new MPs should be prepared to make interim arrangements for a few months until the new scheme is available. It may also be possible for new MPs to find their own rented accommodation which could then be brought into the scheme.

- 5.52 Over time, if it proves successful, the scheme should be extended to all MPs.
- 5.53 It would be appropriate to have a fixed cap on rental costs, but with the ability for MPs who wished to do so to seek more expensive accommodation and fund the difference themselves. The independent regulator should engage with the MOD and other bodies with expertise in this area when drawing up the details. The scheme will need to be monitored carefully in its early stages and adjusted as necessary in the light of any teething troubles.

Recommendation 4

The independent regulator should commission a commercial agency to provide and maintain rented accommodation for new MPs entering Parliament at the next election along the lines of the MOD scheme for service personnel. If it proves successful, the scheme should be extended to all MPs.

- 5.54 For MPs who continue to stay in hotels under the new scheme, the independent regulator should set an upper limit for overnight costs, in line with similar ceilings elsewhere in the public sector. As a guide, evidence submitted by KPMG suggests that rates around £120 per night within central London, or £100 per night outside London, excluding VAT, would commonly be the limits on hotel room costs in the private sector.¹⁹

Other issues

- 5.55 The restriction of claims to rented property or hotels only, and the central provision of accommodation through an agency, are intended to address the main areas of public concern listed in paragraph 5.12. There are, however, a number of more detailed issues that also have to be resolved either for the future or as part of the transitional arrangements. Specifically:
- Apart from rent, what items concerned with accommodation should be provided under the new scheme or should be reimbursable to those not covered by it.
 - The designation of second homes.
 - The distance over which it is reasonable to expect MPs to commute like other people rather than be entitled to claim for additional accommodation.
 - The level of the London costs allowance paid to MPs who do not have second homes.
 - The availability of the (unreceipted) £25 per night subsistence allowance within the ceiling for accommodation expenses.
 - The ceiling on claims or on the overall cost of rented accommodation provided under the proposed commercially run scheme.
 - The treatment of partners who are both MPs.
 - The importance of retaining flexibility to accommodate MPs with disabilities or other special needs.
 - The implications for the expenses system of MPs who stay in grace and favour homes.

Accommodation expenses other than rent

- 5.56 In the past, it has been argued that if it is reasonable to provide MPs with the means to pay for a roof over their heads it is logical also to provide them with heat and light, a bed to sleep on, curtains to draw and so on. It has also been argued that they need a television and/or radio to keep up with the news, that rooms occasionally need cleaning and redecorating and that these costs need to be paid over and above similar costs incurred in an MP's main home because they arise directly from having two places of work.
- 5.57 However logical some may see this in theory, a number of difficulties are inherent in the approach:
- The subjective nature of the judgements about what costs can reasonably be regarded as wholly, exclusively, and necessarily incurred in maintaining a second home for parliamentary rather than personal reasons. The *Daily Telegraph* revelations show how much some MPs have exploited the combination of this subjectivity and weak control arrangements to claim for items which go well beyond what is reasonable.

- The fact that there is bound to be an element of personal as well as parliamentary use in many household items, and that MPs retain ownership even if they are paid for wholly out of public funds.
- The difficulty of explaining the apparent generosity of the arrangement to the general public in terms which they would regard as reasonable in the light of their own experiences.

5.58 The Committee regards these difficulties as fundamental. It therefore favours making permanent the interim move to a position under which the only accommodation costs other than rent or hotel costs which can be reimbursed or covered under the new scheme are utilities, council tax, telephone charges and contents insurance. The Committee would add approved security expenditure and the cost of removal. It may be possible for some of these costs to be met directly by the agency which sources accommodation. All other costs, including such things as gardening, would have to be met by MPs out of their own salaries.

5.59 The Committee has received a number of representations that the costs of cleaning should still be claimable.

*"The proposals to disallow cleaning are, again, likely to be particularly burdensome to those with children, especially women. We cannot be expected to clean a house after a 70 hour working week."*²⁰

*"The Committee should consider modest costs for cleaning and specific maintenance because MPs' workloads are too heavy realistically to undertake such tasks on two homes."*²¹

5.60 The Committee is not minded to accept this argument. The difficulties of maintaining a clean home while working long hours are not unique to MPs. Should MPs wish to maintain the services of cleaners the Committee does not think it unreasonable to expect them to meet these costs out of their salaries, as others do.

5.61 The independent regulator should be prepared to review the list of items for which reimbursement can be claimed in the light of experience and by applying the 'wholly, exclusively and necessarily' test robustly.

5.62 For some MPs, the difference made by a more restricted set of reimbursable accommodation expenses would not be great. For others, it could be fairly substantial. The total amount claimed on furnishings, maintenance, cleaning, and service charges in 2007-08 is estimated to be £1.35 million.²²

Recommendation 5

The expenses scheme should continue to cover additional costs incurred wholly, exclusively and necessarily in pursuit of MPs' parliamentary duties in respect of council tax, water, electricity, gas, and other fuels, telephone line rental and calls, security, contents insurance and removal at the beginning and end of a tenancy. The costs of cleaning, gardening, furnishings and any other items should not be reimbursed or otherwise covered.

The designation of second homes

5.63 One of the issues which has caused most public disquiet has been the way in which MPs determine which is their main home and which is their second home. The significance of the choice is that it is only in relation to second homes that expenses can be claimed. In principle, the designation is supposed to be determined on issues of fact. In practice, there is *prima facie* evidence that a number of MPs have nominated their second home according to where the greatest personal financial advantage lies. They have been able to persuade the House of Commons authorities to go along with this in apparent contravention of the rules they were supposed to be enforcing. Some MPs have allegedly abused the system by changing the designation of their second home so as to maximise claims first in relation to one home, then to the other.

5.64 Following the then Speaker's statement on 19 May no further changes are to be made by individual MPs to the designation of second homes for the 2009-10 financial year, with a transparent appeal procedure for exceptional cases.

- 5.65 The Committee's recommendations on the new scheme for renting accommodation will eliminate any incentive for 'flipping', by removing the potential for MPs to gain personal financial benefit. However, the designation of a second home will still be relevant since it will determine whether the property provided by the agency is in London or in the MP's constituency.
- 5.66 It would be possible to address the designation of second homes by a simple rule that an MP's main home was always deemed to be in their constituency. Such a rule would have the advantage of providing clarity and simplicity. It would also be consistent with the notion that MPs are elected to represent their constituencies in Parliament, not the other way round.
- 5.67 However, it could be more expensive for the taxpayer to insist that all MPs have their second homes in London. There may also be cases where it is more appropriate, or even necessary, for an MP to have their main home in London. MPs with children, for example, may need to look after them during the week. Again, ministers and opposition leaders may be expected to spend the majority of their time in London and so might need to have their main residence in London.
- 5.68 The alternative is to maintain the present rule, but to enforce it robustly. The objective factors to be taken into account should include where the MP spends the most time, where any other members of their immediate family live and where any children go to school. This is broadly what is supposed to happen now. The difference would be that in future the judgement would be monitored independently of Parliament by staff employed by the independent regulator.
- 5.69 Transparency will also play a part. It is unlikely, for example, that any MP will in future attempt to claim that a small London apartment is his or her main home while running up expenses on a large family home in their constituency if they know that the claim will be exposed to public scrutiny. For this to work it will be necessary for the information that is made public to include the approximate location of accommodation. In Chapter 14, the Committee suggests that this could be done by publicising the first part of the postcode only.
- 5.70 The Committee sees no case for providing public-funded support for second homes which are neither in London nor in, or very close to, the constituency. While such arrangements may suit personal circumstances, they are not wholly, exclusively, and necessarily for the purposes of an MP's parliamentary duties.
- 5.71 The Committee's expectation would be that second homes should be designated at the beginning of a Parliament for a whole Parliament and that while changes would not be banned, since circumstances do alter, they would be subjected to particularly close scrutiny by the independent regulator.

Recommendation 6

The designation of main and second homes should be determined according to an objective test, consistently applied and robustly enforced by the independent regulator. Any changes in designation should be scrutinised with particular care.

Reasonable commuting distances for MPs

- 5.72 Currently all MPs may claim for the costs of a second home except for the 25 who represent inner London constituencies. From April 2010, a further 54 MPs who represent constituencies which fall wholly within 20 miles of Westminster will be added to the list of those not entitled to additional accommodation. Instead they will receive the London costs allowance.
- 5.73 The Committee believes the change to be an appropriate step forward. It agrees that any MP representing a constituency within Greater London or inside the M25 should be expected to commute on a daily basis. However, the Committee thinks that this may not go far enough. Constituencies such as Dartford and Sevenoaks are not significantly harder to reach than some outer London constituencies. A journey from Westminster to Dagenham East station, or Sevenoaks station by public transport, for example, departing Westminster at 22.30 would take approximately 45 minutes.²³

- 5.74 The *Jones Review* concluded that the costs of additional accommodation should be paid only for those Assembly Members who would otherwise face a commuting journey door to door of more than an hour. The Committee takes the view that something similar would be a reasonable approach to apply to the Westminster Parliament, while recognising that commuting distances in London may be greater than in Cardiff. For example, there are 12 additional constituencies outside of London where the mainline station can be reached by both car and train within 60 minutes.²⁴ The rule would need to be applied pragmatically, recognising that parts of some constituencies may be more difficult to get to than others. The independent regulator should draw up a definitive list of constituencies whose MPs would be affected.

Recommendation 7

The recent removal of the right to claim additional accommodation expenses from MPs with constituencies wholly within 20 miles of Westminster should be extended to those whose constituency homes fall within a reasonable commuting distance. The independent regulator should draw up a revised list of constituencies to which this principle applies.

The London costs allowance

- 5.75 MPs who do not receive PAAE are currently entitled to receive a London costs allowance, analogous to London weighting. A similar allowance will still be needed under the proposed new arrangements.
- 5.76 At its current level of £7,500 a year the London costs allowance is significantly greater than the amounts paid in London weighting to employees in the public sector. It was increased to this unusually high level in 2007 by MPs themselves to include an element of subsistence costs and the cost of travel home by taxis because they often work late.²⁵ The SSRB recommended in its 2007 report²⁶ that it should be set at £3,500. When he reviewed MPs' pay in 2008, Sir John Baker, former SSRB chairman, recommended that the allowance should be £3,623 (£3,500 uprated in line with the Public Sector Average Earnings Index).²⁷ Had the allowance been uprated for 2009-10 in line with the SSRB's recommendations it would currently stand at £3,760.
- 5.77 The Committee has some sympathy with the fact that, unlike the position in many parts of the private sector, MPs who work late are not provided with assistance to get home.

*"It is rather ironic that House officers are provided with a taxi service home after late night divisions, a number of whom earn far more than MPs, but MPs who need it do not get this provision."*²⁸

- 5.78 But it does not think that this justifies paying London costs allowance at more than twice the level recommended by the SSRB. The Committee takes the view that the level of the allowance should be reduced to that recommended by the SSRB, and uprated appropriately for the passage of time. MPs living beyond walking distance of Parliament should be entitled to benefit from late-working arrangements analogous to those House of Commons staff currently receive.

Recommendation 8

The London costs allowance should be reduced from the beginning of 2010-11 to the level recommended by the SSRB in 2007, uprated in line with the Public Sector Average Earnings Index to allow for the passage of time.

- 5.79 As the result of recommendations made in Chapter 9, those MPs with constituencies outside the Greater London area but within normal commuting distance will lose not only the right to publicly funded additional accommodation but will also have in future to pay to commute to Parliament out of their own pockets. For these MPs, and for others who would still be entitled to publicly funded accommodation but choose to commute for other reasons, the Committee believes that it would be appropriate to set a higher London costs allowance.

Recommendation 9

The independent regulator should determine an appropriate level of London costs allowance for MPs outside the Greater London area who do not receive taxpayer-funded accommodation.

The £25 subsistence allowance

- 5.80 Included within accommodation expenses, and within the ceiling on that, is a subsistence allowance of £25 which MPs can claim for every night spent away from their main home on parliamentary business, without needing to produce receipts.
- 5.81 In 2007-08, it is estimated that MPs collectively claimed approximately £1.2 million under this heading. The average claim was around £2,200.²⁹
- 5.82 The case made for this allowance is that it reflects practice in many other organisations.
- “It reflects a view that across the board in many organisations, public and private, there is a form of subsistence to meet basic needs that people have when they are working away from home.”³⁰*
- 5.83 The Committee is not convinced by this argument. Its understanding is that in a business environment the purpose of such an allowance would be to meet the additional cost of eating in a hotel, or to provide an incentive for staff to stay with friends or family at a significantly lower cost than that of a hotel. There is no additional cost involved in eating in one form of domestic accommodation rather than another, and if, as is often the case, meals are taken in the House of Commons, subsidised catering is available – though it is claimed that the costs of eating there are still higher than they would be in an MP’s main home. Moreover, the Committee understands that private and public sector staff staying in a hotel for business reasons would normally have to produce receipts.³¹ Staff regularly expected to work late would not generally receive additional funds for food. Anti-social hours would be more likely to be reflected in the overall level of pay.
- 5.84 In the Committee’s view entitlement to reimbursement for the additional cost of an evening meal should be restricted to MPs who stay overnight in hotels, and should be subject to showing receipts for expenditure that is actually incurred up to the current £25 limit.

Recommendation 10

Only MPs who stay in a hotel should in future be entitled to claim for the costs of food, currently up to a maximum of £25 per night and within the overall ceiling for accommodation expenses. Reimbursement should be on the basis of receipted expenditure only.

MPs with particular needs

- 5.85 The proposed new arrangements will have implications for MPs with particular needs. Disabled MPs may need larger apartments to accommodate wheelchairs or other equipment, or may need other assistance such as cleaners.³² Other MPs, such as those with caring responsibilities, may also have particular requirements. Where the necessary requirements cannot be met within the system recommended, MPs with particular needs should, as now, be able to ask for further support. The independent regulator should have the discretion to grant additional resources to disabled MPs and other MPs who have particular needs, provided that their requests are reasonable and necessary in order to fulfil their parliamentary duties.

Recommendation 11

The independent regulator should have the discretion to respond appropriately to requests from MPs for assistance to address particular needs.

Grace and favour homes

- 5.86 The Ministerial Code has recently been amended to disallow Ministers who occupy grace and favour homes in London from being entitled also to claim for a second home. The Committee endorses this approach which we believe to be entirely appropriate.³³

Transitional arrangements

Mortgage interest

- 5.87 Earlier in this chapter the Committee recommended that support for mortgage interest should be ended. For new MPs this recommendation should come into effect immediately. But transitional arrangements are needed for those with existing mortgage commitments.
- 5.88 The Jones and Langlands reviews gave AMs and MSPs who claimed mortgage interest until the end of the current Parliamentary term to end their arrangements. In the light of the proximity of the next General Election, the Committee believes that MPs in the Westminster Parliament with existing mortgage commitments should be allowed to continue to receive support for mortgage interest until the end of the next Parliament, or for five years if the next Parliament does not continue for a full term. The Committee sees no reason why this timetable should not be met. Any remaining problems could be taken into account in the first comprehensive review by the independent regulator, recommended in Chapter 3.

Recommendation 12

MPs with existing mortgages supported through the expenses scheme should continue to be entitled to claim the cost of mortgage interest on their current property until the end of the next Parliament, or for five years if that Parliament does not continue for a full term. They should not, however, be able to amend their mortgage agreement in any way which would increase the amount they are able to claim.

Capital gains

- 5.89 There remains the question of existing capital gains on properties purchased with public support, and any future gains (or losses) which may be made during the transitional period.
- 5.90 Provided any existing gains have arisen through transactions that were in accord with the rules in force at the time, the Committee does not think it appropriate to insist that they should be surrendered. That would amount to a form of retrospective taxation. The *proviso* is, however, important.
- 5.91 Any future gains during the transitional period on that part of the property bought with public funds should be surrendered to the independent regulator. Although it might involve some administrative complexity it should be entirely feasible. HMRC have standard methods to apportion gains accrued over different time periods which could be used by analogy. The amount to be surrendered should be proportionate to the extent to which the accommodation allowance has been used to purchase the property. For those who have purchased recently, it ought to be possible to offset any loss in value before the start of the transition against any gains made after it.

Recommendation 13

Any capital gains after the date of this report in the value of accommodation purchased with the help of public funds should be surrendered to the Exchequer. The amount to be surrendered should be proportionate to the extent of public funding during the transitional period.

- 5.92 It does not follow that the taxpayer should take responsibility for any future losses. It is for the MP concerned to make their own assessment of the risk of that possibility. They have the option of disposing of their property now if they do not wish to bear the risk.

The ceiling on claims

- 5.93 Under the interim arrangements, the maximum amount which can be claimed in accommodation expenses in the current year remains at £24,222. But actual claims are likely to be less because of the ceiling of £1,250 a month which has now been imposed on rental, hotel, and mortgage interest costs.
- 5.94 The Committee has heard conflicting evidence about the appropriateness of this interim cap. One MP suggested that it was too high and that £10,000 a year would be enough.³⁴ Others noted that some MPs have found it to be too low, particularly those who rent accommodation.

*“A lot of them [MPs] were extremely worried when we had the interim rules of the £1,250 maximum in actual rent itself.”*³⁵

- 5.95 The Committee understands that the median claim for rent in 2008-09 was £1,390 a month, significantly higher than the current cap. Of the 130 MPs who currently pay rent, 90 (70 per cent) pay more than £1,250 a month (£289 per week). This may mean that the cap is biting more harshly than was intended. Alternatively, it might simply reflect the nature or location of the accommodation currently being rented. The majority of MPs with second homes in London live in the more expensive areas near Westminster. Average rents in areas still convenient for the House of Commons are significantly lower than in SW1 (See Figure 4).

Figure 4: Median monthly rental costs of a one bedroom flat in London postcode areas near Westminster

Postcode area		Median monthly rental costs of a one bedroom flat (£) ³⁶	Number of MPs who currently live in that postcode area ³⁷
SW1	Victoria	1,582	161
SE11	Kennington	966	71
SE1	Bermondsey	1,127	53
SE17	Walworth	932	17
SW8	South Lambeth	1,040	16
SE5	Camberwell	802	9
SW11	Battersea	1,127	6
W1	The West End	1,777	4

Source: Valuation Office Agency and House of Commons Authorities

- 5.96 The independent regulator will need to keep the cap under review in the light of actual rental costs for appropriate properties.

The treatment of MPs who share accommodation

- 5.97 In his statement on 19 May, the then Speaker announced that:

*“Members who are married or living together as partners must nominate the same main home, and will be limited to claiming a maximum of one person’s accommodation allowance between them.”*³⁸

- 5.98 It is entirely appropriate for cohabiting MPs to nominate the same residence as their main home, and to be expected to claim less in respect of secondary accommodation than would two MPs living separately, because their costs will be lower. But they still might reasonably need slightly larger accommodation and incur slightly greater utility and other costs than a single MP. The new scheme for renting property should incorporate sufficient flexibility to allow for that. In the meantime the Speaker's ruling seems a little over-restrictive. Any calculation of the extent to which two people living together incur greater costs than a single person will, to some extent, be arbitrary. But the Committee suggests that MPs who live together as partners should be able to claim between them up to a total of one individual MP's cap on monthly rental or mortgage payments plus one-third of a second allowance. At current levels, this would equate to £1,667 per month.

Recommendation 14

MPs who share second home accommodation as partners should be entitled between them to claim up to a limit of one individual cap on rent or mortgage payments, plus one-third.

Financial implications

- 5.99 Compared with the arrangements which existed before the interim changes earlier this year, the proposals in this chapter would reduce costs measurably as a result of:
- Restricting the range of accommodation expenses which are covered (about £1.3 million a year).
 - Increasing the number of MPs not entitled to additional accommodation because their constituency homes are within a normal commuting distance to Westminster (about £15,000 a constituency affected). The change already agreed to remove entitlement to PAEE from the 18 outer London MPs who currently claim it will save £0.3 million a year.
 - Reducing the London costs allowance to the level recommended by the SSRB (about £0.2 million, offset to some extent by allowing MPs access to the late night travel scheme available to House of Commons staff and by the higher allowance retained for those outside the Greater London area).
 - Restricting claims for the £25 subsistence to those MPs staying overnight in hotels (a possible £1.2 million).
- 5.100 These figures are approximations in the absence of definitive figures from the House of Commons Department of Resources.
- 5.101 In addition, though more difficult or impossible to quantify, there will also be savings resulting from:
- The requirement to repay any future capital gains made in the period during which mortgage interest reimbursement is phased out.
 - Reducing entitlements for MPs who cohabit and for those living in grace and favour homes in London.
 - Reductions in the administration costs of a simpler overall system.
- 5.102 The cost of implementing the key recommendation – rental or hotel accommodation only – may in some individual cases be more expensive than mortgage interest arrangements. The actual cost will depend upon the standard of accommodation and level of support provided by the proposed agency. However, it should produce savings on the current system if done properly, particularly when account is taken of the fact that there are areas in close proximity to Parliament with rental costs significantly below those in SW1, and there may be advantages to be gained from long-term leasing. It could be a condition of the contract for sourcing accommodation that costs are lower.
- 5.103 Overall therefore the Committee is confident that its proposals on accommodation would provide significantly better value for money as well as introducing significantly greater integrity into the system.

References

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- 4 Rt Hon Harriet Harman MP, Public Hearing, 16 June 2009, paragraph 130
- 5 http://www.riksdagen.se/templates/R_Page___10935.aspx
- 6 <http://www.stortinget.no/en/In-English/Members-of-the-Storting/Financial-support/>
- 7 Ev 378 (J. Bryson)
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- 9 <http://www.europarl.europa.eu/parliament/expert/staticDisplay.do?id=39&language=en&pageRank=2>
- 10 Amyas Morse, Public Hearing, 7 July 2009, paragraph 365
- 11 Participant in focus group in Birmingham
- 12 Ev 586 (Martin Horwood MP)
- 13 Ev 510 (The Taxpayers' Alliance)
- 14 Ev 631 (Nick Harvey MP)
- 15 http://www.assemblee-nationale.fr/english/synthetic_files/file_15.asp
- 16 HC Deb 19 May 2009 c1421
- 17 House of Commons Members Estimate Committee, *Review of Allowances: Third Report of Session 2007-08*, Volume II. HC 578-II, p.42
- 18 Dr Tony Wright MP, Public Hearing, 29 June 2009, paragraph 404
- 19 Ev 722 (KPMG)
- 20 Ev 479 (Helen Goodman MP)
- 21 Ev 431 (Rt Hon Peter Hain MP)
- 22 According to figures provided by the House of Commons taken from a sample of 50 MPs' claims for the 2007-08 financial year
- 23 Travel times taken from Transport for London website, based on leaving Westminster at 22.30. www.tfl.gov.uk
- 24 Figures based upon stations which can be reached by both car *and* train within 60 minutes, based upon leaving Westminster at 10.30
- 25 Members Estimate Committee, *Review of Allowances*, Volume I, HC 578-I, p.60
- 26 SSRB, *Review of parliamentary pay, pensions and allowances 2007*, Report No.64, Volume I, Cm 7270-1, p. 56
- 27 Sir John Baker CBE, *Review of Parliamentary Pay and Pensions*, June 2008, Cm 7416, p. 20
- 28 Ev 211 (Andrew Dismore MP)
- 29 Figures provided by the House of Commons and relate to a sample of 50 MPs' claims from 2007-2008
- 30 Rt Hon Don Touhig MP, Public Hearing, 13 July 2009, paragraph 535
- 31 Ev 722 (KPMG)
- 32 Ev 436 (Anne Begg MP)
- 33 HC Deb 30 April 2009 c1070
- 34 Ev 308 (James Plaskitt MP)
- 35 Lorely Burt MP, Public Hearing, 30 June 2009, paragraph 15
- 36 Figures provided by the Valuation Office Agency
- 37 Figures provided by the House of Commons
- 38 HC Deb 19 May 2009 c1421

Chapter 6

Staffing

Introduction

- 6.1 MPs are provided with a budget to employ staff for research, secretarial, casework and other administrative support. They may currently claim up to £103,812 for this purpose. They may also transfer unspent money between their staffing and office budgets.
- 6.2 At no point does this money pass through the hands of an individual MP. Staff are employed by MPs, but their salaries are paid directly by the House of Commons. It is therefore misleading, as some have done, to include staffing budgets together with other payments in a way which implies that they form part of an MP's total remuneration.
- 6.3 It is, of course, entirely legitimate to take staff payments into account when calculating the total cost to the public purse of an individual MP. The Committee believes that full details of how much MPs spend on employing staff should continue to be publicly available.
- 6.4 Pay ranges are set centrally. But it is up to individual MPs to decide, within the range, how much to pay their staff. They also have some discretion to award individual bonuses.
- 6.5 The current budget limit is notionally calculated to cover the cost of employing the equivalent of 3.5 full-time staff. The actual number employed varies greatly. A few MPs employ very little assistance. Some use the budget in full. The average number of staff employed is between three and four, with some MPs employing more. Significant numbers of staff are employed part-time. Some Conservative MPs use part of their budgets to draw on pooled research and support facilities provided by a specially created unit, the Parliamentary Resources Unit.¹ A number of MPs of all parties make use of interns, who are either unpaid or only receive expenses. Many utilise research facilities available through the House of Commons library, which are provided free of charge. Staff may be employed in Westminster or in the constituency, or both.
- 6.6 Total expenditure on staffing in 2008-09 was just under £60 million. The range for individual MPs was £34,000² to £115,000, the average being £92,300.

Issues

- 6.7 Concern about staffing in support of MPs is not a new phenomenon. The main issues raised in the course of this inquiry were:
- The level of staffing support.
 - The employment of family members.
 - The potential for staff paid by Parliament to work on party political activities.
 - The arrangements for recruiting staff and a range of issues concerned with good employment practice.

Level of staffing support

6.8 A number of MPs have called for an increase in staffing resources:

“Pay rates for our staff are pretty poor, partly because many of us feel obliged by work volumes to try to employ as many people as possible within the limited budget. An urgent review should be conducted by whatever independent body takes on this responsibility. This should examine whether the pay levels and numbers of staff the budget permits are realistic given the huge volumes of casework and email in particular that modern MPs receive. Comparisons with staffing levels in other national assemblies should be made.”³

6.9 This view is not universally shared:

“The staffing allowance [...] 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.”⁴

6.10 The issue almost universally associated with the demand for additional staff is constituency casework. Electronic communication and other factors have led to a considerable increase in such casework. Concerns have been expressed that MPs are devoting a disproportionate amount of effort to it, to the detriment of their other parliamentary duties.

“Their business should be governing the country: too much time is spent now as advocates for individual local cases [...] Some casework should go to councillors, if more power is to be devolved. Good MPs say they need some casework, to see at first hand where government departments are failing, but the balance now is out of kilter.”⁵

“We are concerned that the volume of casework appears to be growing inexorably. Some MPs appear to welcome or accept this, at least in part because of the opportunity it offers for them to raise their profile with their constituents, although others feel that it detracts from their other roles of scrutinising legislation and holding the executive to account. The public’s reliance on MPs to intercede with public authorities could be seen as a failure on the part of those authorities to deal properly with their clients, as well as of ombudsmen and other appeal mechanisms. On the other hand it might be argued that some MPs could do more to encourage their constituents to pursue more appropriate avenues before seeking assistance from MPs. It is not for us to reach a judgement on this but we believe it is time for serious consideration be given to the role of MPs and their staff as caseworkers and intermediaries with public authorities, not least because we suspect that in some cases employing more staff may lead to an increase in the volume of casework.”⁶

6.11 The Committee shares some of these concerns. But they raise complex issues relating to the legitimate roles of MPs, the way in which they spend their time, and the appropriate division of labour between MPs and other elected representatives in local authorities and devolved assemblies. The Committee does not regard such issues as being within the remit of this inquiry.

6.12 In the meantime, the Committee does not believe that the evidence put to it would justify any increase in the size of the staffing budget, apart from any annual uprating that may be regarded as appropriate in the light of movements in pay levels elsewhere.

Employment of family members

6.13 199 Members of Parliament, almost one-third of the total, currently employ members of their own families. A few employ more than one. Out of a total of over 2,600 staff employed, 213 are family members.⁷

6.14 It is apparent therefore that not only do many MPs employ family members, but that a majority feel able to carry out their roles without doing so.

6.15 Of the 213 employed family members, 143 are registered as wives, 16 as husbands, 9 as other partners, and 45 as other family members.

6.16 Family members are on average paid slightly more than other staff, and receive higher bonuses (averaging £1,830 in 2008-09 as opposed to £1,400 for other staff who received bonuses). It is possible that this is because many of them may have been employed longer than average, are appointed to more senior posts, or work longer hours.

6.17 Despite the publicity that a small number of cases have received, the Committee has no evidence of abuse occurring on a significant scale through the employment of family members.

6.18 On the contrary, the Committee has heard evidence that many MPs' family members work hard and offer good value for money for taxpayers, including testimony from those who have expressed reservations about allowing the practice to continue:

*"Both the MPs I worked for and also the MEP I worked for all actually did employ family members so I could see that relationship first hand. As far as I could ascertain they did actually work very hard and I think they probably gave good value for money as much as another member of staff would."*⁸

*"I can quite see that the spouse, male or female, can do a fantastic job in a constituency on behalf of the MP, that they work well beyond the call of duty, that they give good value for money and that the constituency, as some MPs pointed out to you I think, know more about the spouse than they do about the MP because he or she is in London."*⁹

6.19 A number of witnesses also commented on the fact that employing a family member can help preserve a family relationship:

*"Because the job of an MP lies between a vocation and profession with some of the characteristics of a small business it puts very heavy demands on family life."*¹⁰

Many MPs, including the Committee on Members' Allowances, have suggested that their offices operate like small businesses,¹¹ or in some cases like family businesses.

6.20 On the other hand:

- Such arrangements are at odds with good employment practice in the private and public sector. The Committee has heard evidence from a number of private sector practitioners to the effect that while it may not be uncommon for members of the same family to be employed in an organisation, there would generally be concern if a line-management relationship existed between two people who had a personal relationship.
- Some have argued that the employment of family members is acceptable provided they are treated in the same way as anyone else in terms of appointment on merit, and performance appraisal. The Committee's focus groups generally agreed with that, but it is difficult to see how such an approach could ever operate satisfactorily in practice, given the personal relationships involved.
- Employing family members restricts access for others to political experience and jobs:

*"I think there is an issue here about opening up politics, about meritocracy. If we do want to encourage more people to get involved in politics and if we do actually want to reduce the barriers to getting involved in politics, as many people as possible should have the experience of being able to work for MPs in the House of Commons, or indeed MEPs."*¹²

- Although it is currently still allowed in the Scottish Parliament, the employment of family members with public funds has now been banned in a number of legislatures, including the US House of Representatives and the German Bundestag. The European Parliament and the National Assembly of Wales are currently phasing it out.
- Given recent history, it is important that the House of Commons should demonstrate complete probity in an area where abuse is known to have occurred.
- MPs' offices are not small family businesses. They are supported by public funds.

6.21 The Leader of the House told the Committee that her personal view was that:

*"With employment of family members it is difficult to sustain public confidence. But I say that without impugning at all those people who have done it and done an incredible job and need to be able to carry on doing it."*¹³

6.22 The Committee agrees on both counts. It accepts that the vast majority of employed family members provide an excellent service. It does not, however, believe that employing members of one's own family is consistent with either modern employment practice or the proper use of public funds. It has concluded, therefore, that the practice is no longer acceptable in a modern legislature and should now be ended.

6.23 This conclusion should not be interpreted as casting doubt on the integrity of family members currently employed, for whom transitional arrangements will be needed. The Committee takes the view that an appropriate transition period for phasing the practice out would be five years, or one Parliament, whichever is longer.

6.24 This is a more stringent approach than has been adopted in Wales, where family members currently employed will be able to continue in that position for as long as their employer remains in office. However, the Committee thinks it important, in the light of recent events, that the House adopts a clear timetable. The Committee's approach is the same as that of the European Parliament, where the ability of MEPs to employ family members using public funds is being removed after one more legislative term. A period of one Parliament provides staff with time to consider alternative employment opportunities, and would also reflect the reality that the life of a Parliament is the most secure tenure that most MPs' staff can realistically expect. At the end of this time, any family members retained as staff would be made compulsorily redundant and entitled to payment on that basis. They would have the same entitlement if the MP were to lose an election or stand down voluntarily.

Recommendation 15

MPs should no longer be able to appoint members of their own families to their staff and pay them with public funds. Those currently employing family members should be able to continue to do so for the life of one further Parliament or five years, whichever is the longer.

6.25 For the avoidance of doubt:

- In future MPs should no longer be able to use public funds to employ partners, regardless of whether they are married, in civil partnerships, or otherwise.
- The Committee does not intend to rule out an MP using public funds to employ a member of the family of another MP, provided that after a fair and open recruitment competition the individual is found to be the strongest candidate. Audit and assurance will provide safeguards against any potential for abuse, as will the binding guidance on good employment practice discussed later in this chapter.

Potential for misuse for party political purposes

6.26 The public funds provided to pay for staff are intended to support MPs in their parliamentary roles. It is a breach of the *Green Book* rules to use these funds to support party political activities.

6.27 In practice the distinction may often be a fine one. Much of what an MP does through casework can quite naturally and appropriately have a political dimension. Nor is the line easy to police in circumstances where staff employed by MPs can also legitimately be politically active in their own right, as local authority councillors or in other ways. It can be particularly difficult to maintain the distinction in cases where an MP's constituency office shares space with the local party office (see Chapter 7).

6.28 The Committee has received no significant evidence that malpractice in this area is occurring on a wide scale. But there is clearly scope for abuse:

“Recent years have seen significant changes, notably the replacement of the office costs allowance by the more generous staffing allowance and incidental expenses provision in 2001. Meanwhile, a large number of MPs have moved their staff support out of Westminster into their constituencies. There is nothing wrong with that in principle; there may even be a cost saving, given space pressures on the parliamentary estate, and there is a logical link to the growth of the constituency role. However, this is acceptable only if the staff in question really are concentrating largely on constituency and parliamentary matters. If what is in fact being undertaken, often through contracts with local party organisations, is highly partisan activity, then we are seeing state funding of political parties by the back door and a potential entrenchment of incumbency advantage.”¹⁴

- 6.29 It is important that staff who are employed to fulfil parliamentary duties are actually working wholly and exclusively on parliamentary activity during the time for which they are paid to do so. To date, there have been insufficient audit arrangements to provide assurance that this is in fact happening. In the Committee’s view it is essential that this significant area of expenditure should be subject to robust independent audit as part of the new arrangements discussed in Chapter 14.
- 6.30 Should MPs and their staff be found to be abusing the system, the Committee would expect both to face strict penalties.

Recommendation 16

The work of MPs’ staff, both in Parliament and in their constituencies, should be subject to robust independent audit as part of the new assurance arrangements. This will ensure that resources provided out of public funds are being used only for the purpose intended and not to support party political activities. Should any MPs or their staff be found to be abusing the system other than inadvertently, they should face strict penalties.

- 6.31 A further safeguard would be provided if a code of conduct were developed for MPs’ staff setting out appropriate restrictions on party political activities, with appropriate training provided to support it.
- 6.32 Responsibility for ensuring that their staff follow the code of conduct should rest with the individual MP. To ensure that MPs and their staff are aware of the content of the code, they should be required to sign an annual declaration that they have abided by it and have only used resources intended for parliamentary purposes in an appropriate manner. This declaration could form part of the annual compliance statement relating to proper use of all parliamentary resources recommended in Chapter 14.

Recommendation 17

A code of conduct for MPs’ staff should be developed by the House of Commons, setting out appropriate restrictions on party political activities. Responsibility should rest with individual MPs to ensure that their staff abide by the code. MPs should sign an annual declaration confirming that they have abided by the code of conduct and used resources intended for parliamentary purposes appropriately.

Pooled staffing resources

- 6.33 Some MPs currently contribute an element of their staffing budget to fund a pool of research staff. In its 2007 report, the SSRB commented that:

“In principle we welcome pooled research and support facilities for MPs since these have the potential to provide better value for money.”¹⁵

- 6.34 In 2008, it was alleged by one MP that the Parliamentary Resources Unit (referred to in paragraph 6.5) was a party political organisation because it mostly provides services to Conservative Party MPs and the corresponding organisation for Labour Party MPs was not supported by public funds. The Parliamentary Standards Commissioner did not take up the case. The Parliamentary Resources Unit itself strongly asserts that:

"The Unit ensures that its work is wholly, exclusively and necessarily in support of Members' parliamentary duties. Party political work is prohibited, and in many ways more easily policed within a central team than perhaps is possible within Members' individual offices." ¹⁶

- 6.35 The Committee has heard evidence that pooled resources can provide significant value for money. The Committee believes that within Parliament such practices are legitimate, provided that proper safeguards continue to be in place to ensure that they are used wholly for parliamentary purposes.
- 6.36 The work of the Unit should be subject to audit in the same way as other activities carried out to support MPs in their parliamentary work.

Employment policies and other staffing issues

- 6.37 As in the National Assembly for Wales and the Scottish Parliament, at present MPs are able to recruit their own staff. A central HR department provides advice to MPs on HR issues and is responsible for paying staff.
- 6.38 The House of Commons authorities have recently considered the possibility of directly employing all MPs' staff centrally.¹⁷ There is a precedent for this in the arrangements made to support members of the London Assembly – though in that case the staff involved are all based in London and much fewer in number. The proposal appears to have been put forward partly to counter the way in which some sections of the press have presented staffing budgets as if they were part of an MP's own remuneration.
- 6.39 MPs need to work very closely with their staff. They have reasonably stressed that it is important and appropriate that they should be able to employ people they trust and who share their values.
- 6.40 But the present arrangements mean that, as one MP put it, at present there are "600-odd different approaches" to staff management within the House of Commons.¹⁸
- 6.41 The Committee has heard evidence from a number of MPs and staff representatives to the effect that there is considerable scope to improve employment practice. The Committee has been told, for example, that a significant number of staff do not have employment contracts lodged with the House of Commons authorities, that some staff are paid below the approved pay ranges and that recruitment of staff by individual MPs is not always conducted according to the appropriate standards of transparency, fairness and appointment on merit:

"It is important that MPs are supported by competent research and administrative staff and many are. However, MPs often recruit staff as if they were self-employed or running family businesses. This is inappropriate. It is important that the public are reassured that such staff undertake relevant work and are capable of doing it. There is also an equal opportunities dimension. Many people want to work for MPs in the House of Commons or in constituencies; these are sought after positions." ¹⁹

- 6.42 Whoever appoints them, it is important that the recruitment of MPs' staff should meet high standards of transparency and probity in accordance with the third of the Seven Principles of Public Life originally enunciated by Lord Nolan:

"In carrying out public business, including making public appointments, awarding contracts or recommending individuals for rewards and benefits, holders of public office should make choices on merit." ²⁰

6.43 This is also the view expressed to the Committee by a number of MPs:

*“All posts should be openly advertised with detail of the location of the workplace and the salary scale which should be in line with published guidance rates for the job described in the advertisement.”*²¹

*“MPs should be urged to be equal opportunities employers, advertising all permanent posts and following best recruitment practice.”*²²

6.44 The approach to fair and open competition should be proportionate to the role. Open competition should not rule out selection of staff taking account of political affinity.

6.45 Present concerns about treatment of staff more widely are not necessarily the fault of individual MPs. Staff representatives told the Committee:

*“A good employer allows them to have proper training, advancement in their career, a contract, a way for them to be represented through the process of deciding how they are employed, and all the things that we have mentioned. The MPs are often extremely good to us, as they can be within the rules, but unfortunately they do not have the resources or the training to be good managers. They are not backed up by a proper HR department that we can represent our views to either.”*²³

6.46 In the Committee’s view, it is important that MPs should be, and should be seen to be, following high standards of employment practice. Increasing use of professional employment practices may also help create a more positive image of Parliament as a professional organisation, and increase confidence in the way in which MPs work. The Committee believes that as a matter of principle and good practice there should be broad parity of treatment for MPs’ staff across the House of Commons, especially in recruitment, disciplinary, and grievance procedures.

6.47 One way of achieving that parity would be to move to central employment of staff. But it would not be necessary to do that. It ought to be possible to institute better and more consistent employment policy and practices and to introduce a code of practice, backed up by appropriate training and HR support from the House of Commons authorities, while still leaving individual MPs as the employer.

Recommendation 18

Subject to the outcome of the House of Commons Commission Report on central employment, MPs should continue to be able to select and directly appoint their own staff. Appointments should be made on the basis of merit and open recruitment. The House of Commons authorities should issue binding guidance, accompanied by a code of practice, setting out the processes to be followed by MPs when recruiting staff (including those working in constituencies) and on other matters of good employment practice, including disciplinary and grievance procedures. MPs should receive appropriate training and HR support.

Staff redundancy

6.48 When an MP leaves Parliament, their staff may be made redundant. MPs’ staff are currently entitled to statutory redundancy. Any additional payments are made at the discretion of MPs from the winding-up allowance (see Chapter 10). This practice has the potential to lead to unequal treatment. Redundancy payments should be made centrally by Parliament and winding-up expenditure should be reduced accordingly.

Recommendation 19

MPs’ staff should no longer receive redundancy pay from the winding-up allowance. Redundancy pay should be paid centrally by the House of Commons authorities, and the size of the winding-up allowance reduced accordingly.

Financial implications

6.49 It is possible that some of the recommendations proposed in this chapter could result in small increases in cost over the current arrangements. Greater use of open recruitment might cost a little more. But some MPs already openly advertise for staff and there are free resources available such as the website: www.w4mp.org. Nor is it particularly costly to advertise in local newspapers. Following the election after next, there could eventually be a small increase in redundancy costs in respect of family members employed by MPs who still retain their seats and so would otherwise have continued to employ them. There would also be a small cost from providing additional HR support. In the Committee's view these costs are both fully justified and substantially outweighed by the savings which would be achieved by other proposals made in this report.

References

- ¹ A unit providing central support to Labour Party MPs is paid for out of party funds.
- ² This is the lowest figure for an MP who was in Parliament for the whole of the allowance year. One MP did not make a claim against his staffing budget.
- ³ Ev 586 (Martin Horwood MP)
- ⁴ Ev 262 (Nicholas Winterton MP)
- ⁵ Polly Toynbee, 'A new politics: Squeeze the size of the Commons', *The Guardian*, 20 May 2009
- ⁶ Ev 680 (Senior Salaries Review Body)
- ⁷ Figures provided by House of Commons Department of Resources, September 2009. As at 31 March 2009, the number of permanent staff employed by MPs was 2,685, according to the House of Commons *Annual Report, Resource Accounts & Audit Committee Annual Report 2008-09 (HC 955)*, p. 9
- ⁸ Matthew Elliott, Public Hearing, 23 June 2009, paragraph 152
- ⁹ John Drysdale, Public Hearing, 8 July 2009, paragraph 67
- ¹⁰ Ev 656 (Malcolm Bruce MP)
- ¹¹ Ev 706 (Committee on Members' Allowances)
- ¹² Matthew Elliott, Public Hearing, 23 June 2009, paragraph 154
- ¹³ Rt Hon Harriet Harman MP, Public Hearing, 16 June 2009, paragraph 183
- ¹⁴ Ev 587 (Andrew Tyrie MP)
- ¹⁵ SSRB, *Review of parliamentary pay, pensions and allowances 2007*, Volume I, Cm 7270-1, p. 47
- ¹⁶ Ev 521 (Parliamentary Resources Unit)
- ¹⁷ The contents of this report was finalised prior to the publication of the House of Commons Commission's report on *Employment of Members' staff by the House*, October 2009, HC 1059.
- ¹⁸ Rt Hon Don Touhig MP, Public Hearing, 13 July 2009, paragraph 576
- ¹⁹ Ev 319 (Sheffield Hallam Constituency Labour Party)
- ²⁰ Third of the Seven Principles of Public Life: Objectivity
- ²¹ Ev 520 (Lynne Jones MP)
- ²² Ev 586 (Martin Horwood MP)
- ²³ Dan Whittle, Public Hearing, 30 June 2009, paragraph 443

Chapter 7

Administrative and office expenditure

Introduction

- 7.1 Most MPs maintain offices in their constituency as well as in Westminster. They can claim up to £22,293 in 2009-10 to meet the costs of running them.
- 7.2 Eligible expenditure, known as administrative and office expenditure (AOE), includes office rent and maintenance, the purchase of equipment, telephone bills, postage costs beyond those already covered by a separate stationery allowance, and some travel expenditure, including additional travel for staff. Claims can also be made for services provided under contract, like maintenance of equipment and staff training and recruitment, or funding work such as research which might otherwise be undertaken by a member of staff.¹
- 7.3 In Westminster, offices and equipment, such as furniture and telephones, are provided to MPs free of charge. Some IT equipment is also provided free of charge in both Westminster and constituency offices by the Parliamentary Information and Communications Technology Department (PICT). Additional or alternative IT equipment has to be purchased out of AOE budgets.

Amounts claimed

- 7.4 In 2008-09, MPs spent a total of £11.3 million on office running costs, an average of £17,500 each. Spending by individual MPs ranged from £1,500 to £33,800. One MP claimed nothing.

Issues

- 7.5 The main issues which have been raised about office expenses during the course of this inquiry are:
- The potential for the AOE budget to be used deliberately or inadvertently to subsidise party political activity because of the common practice of MPs paying to use offices and facilities owned by local constituency associations.
 - The arrangements for MPs who own their own offices or do not rent offices.
 - The fact that equipment purchased out of public funds through office budgets remains the property of MPs after they leave office rather than being returned for use by others.

Payments to constituency associations

- 7.6 There is no prohibition on renting from, or sharing offices with, local constituency associations. The practice is quite widespread. An analysis of 199 MPs carried out for the MEC in 2008 found that 26 per cent rented from their local party and a further 11.5 per cent were provided with offices by their local parties rent-free.
- 7.7 Some MPs also pay local parties for facilities such as the use of staff or office equipment, or the provision of press cutting services. In total, in 2008-09, 292 MPs between them made payments to local constituency associations out of their AOE budgets totalling £1.9 million.

- 7.8 Sharing offices with, or renting from, local party associations is also permitted for members of the Welsh, Scottish, and Northern Irish legislatures.
- 7.9 An MP renting a property from their local party is required to submit an independent valuation to the House of Commons authorities to demonstrate that they are not paying more than the market rate. Such evidence as there is indicates that this is having the desired effect. The MEC's research indicates that renting offices commercially was then around £1,000 a year more expensive than renting from a local party.²
- 7.10 The Committee has heard differing views about the legitimacy of making payments to constituency associations from public funds. Some witnesses have expressed concern about the potential for abuse:
- "The payments made by MPs to their constituency party, such as for renting office space or for the provision of services, should be abolished. MPs' constituency offices, if they are funded by the taxpayer, should not be used for party-political activity and an MP's constituency office should not be located in their party's constituency office. There must be no impression that parliamentary expenses are being used as back-door funding for political parties."*³
- "It is not supposed to be a subsidy one way or the other but I think there is the question about perception there and how the public can be reassured that there is not any subsidy going on."*⁴
- 7.11 Other witnesses did not regard it as a significant issue. The former Parliamentary Standards Commissioner told the Committee that:
- "Provided that the office [...] is convenient for the carrying out of parliamentary business [...] I do not see an objection in principle to a properly commercial and fully documented arrangement between a Member on the one hand and their political party, or any other body, on the other."*⁵
- 7.12 The Committee sees considerable merit in a complete separation between constituency and local party offices or other affiliated organisations. That would underline the importance of keeping a clear boundary between constituency case work, which is legitimately funded from public funds, and party political activity, which is not. Complete separation would be the safest arrangement from the point of view of both substance and public perception. It is what a majority of MPs already do.
- 7.13 Separation would also open up the possibility of constituency offices being provided as part of the parliamentary estate, passed on from one MP to their successor.⁶
- 7.14 On the other hand, the current arrangements clearly suit a significant number of MPs for practical reasons. There is no concrete evidence of significant abuse and such limited evidence as we have suggests that the public do not seem to be greatly concerned. Insisting on an end to the practice in the absence of substantive evidence would be disproportionate given that alternative arrangements could well be more expensive.
- 7.15 That is not to say that no further action should be taken. The Committee thinks it important that this issue should be properly investigated to determine whether abuse is occurring. Practice in this area, and the associated risks, should be looked at particularly carefully as part of the new audit and assurance arrangements discussed in Chapter 14. Should that suggest that a problem exists, the issue would need to be looked at again by the new independent regulator.

Recommendation 20

Particular attention should be paid in the more robust audit now being introduced to ensure that the administrative and office expenditure allowance is not being used to provide benefit to a party political organisation. Should the audit show it to be necessary, the independent regulator should ban payments from expenses to party political organisations.

Other office rental arrangements

Renting from family members

- 7.16 Claims for the cost of leasing offices from family members or close associates – including business associates – are prohibited to avoid any impression that MPs or people close to them are profiting from public funds. The prohibition was explicitly stated in the 2006 version of the *Green Book*, which contains the expense scheme rules. But it was omitted from the current version, either inadvertently or because it was thought unnecessary. The Committee's view is that it should be made explicit in any new guidance produced by the independent regulator.

MPs who own their constituency offices

- 7.17 A small number of MPs own their own constituency offices. They are not entitled to claim the cost of rent or mortgage interest, but may claim other costs. In practice such MPs do not always have lower AOE claims than others. They should only be entitled to claim for the running costs associated with maintaining their offices, and not for any costs which could be seen to enhance the capital value of the property.

MPs without constituency offices

- 7.18 Approximately 22 per cent of MPs do not hire a premises as a recognised constituency office. This decision may either be an economic one or a matter of personal choice.⁷ Some MPs may, for instance, find it more appropriate to serve their constituents through a network of surgeries, or by having all staff located in Westminster. Others may receive premises *pro bono*.
- 7.19 The Jones and Langlands reviews both recommended that elected representatives without separate constituency offices should have their office budgets abated by 75 per cent in each case. The Scottish Parliament decided to reduce their abatement to 50 per cent. In its 2007 Report, the SSRB recommended an alternative approach whereby MPs should have their AOE budget ceiling reduced by £2,500 for each member of an MP's staff with a workstation on the parliamentary estate.
- 7.20 The Committee has not taken evidence on this issue during the course of this inquiry. We suggest that the independent regulator should consider it as part of the next comprehensive review of the expenses system.

Purchase of office equipment and supplies

- 7.21 Furnishings for offices in Westminster, and some IT equipment for the use of MPs and their staff in both Westminster and constituency offices are procured centrally. Any other office equipment purchased out of AOE budgets currently becomes an MP's own personal property. This is an unusual arrangement. In most other organisations the expectation is that office equipment is returned to an employer when a member of staff leaves their job.
- 7.22 The extent of the benefit in most cases is likely to be relatively small. Office equipment tends to depreciate fairly quickly and to have limited resale value. There might also be practical difficulties if large quantities of relatively worthless equipment were to be returned to the parliamentary authorities after every election. But there is, nonetheless, scope currently for valuable equipment purchased with public funds to be kept by MPs when they vacate office.
- 7.23 The Committee views the principle that no personal benefit should be provided through the expenses system as fundamental. In future, equipment purchased through the AOE budget should therefore be regarded as publicly owned. The independent regulator should issue guidance putting this principle into practice in a proportionate and non-bureaucratic manner. There may be some cases, for example, where office equipment could be transferred to a succeeding MP, or bought by the outgoing MP at current market value.
- 7.24 The Committee believes there is also a role for greater central provision, as promoted for the Scottish Parliament by the *Langlands Review*.

Recommendation 21

Equipment purchased through the administrative and office expenditure budget should be regarded as public property. The independent regulator should issue guidance putting this principle into practice in a pragmatic way.

Miscellaneous and incidental expenses

- 7.25 MPs may currently claim for accountancy costs. It is difficult to see how this practice can be justified. The Committee is not aware of any other organisation where it would be allowed, and HMRC regards payment of such claims as a taxable benefit in kind. The proposals in this report should also make MPs' accounts slightly easier to manage.

Recommendation 22

MPs should no longer be entitled to claim for accountancy costs to help fill out tax returns.

- 7.26 One further minor issue has been raised in evidence to the Committee. It is common practice in the public and private sector for a host to provide tea and coffee at a meeting. The Committee's understanding is that at present MPs may not claim for such costs out of the AOE allowance. The Committee thinks it would be appropriate for MPs who wish to do so to spend modest amounts of their AOE budget to provide basic refreshments for meetings, and this should be allowable in the future

Financial implications

- 7.27 Some small savings should arise out of the proposals for public ownership of office equipment. The exact level will depend upon the approach adopted by the independent regulator. Small savings should also be made from ending the entitlement of MPs to claim for accountancy costs.

References

- ¹ Costs of contract research or consultancy staff may also be met out of staffing expenditure.
- ² Members Estimate Committee, *Review of Members' Allowances*, Volume 2, HC578-II, p.22
- ³ Ev 454 (Bernard Jenkin MP)
- ⁴ Rt Hon Harriet Harman MP, Public Hearing, 16 June 2009, paragraph 181
- ⁵ Sir Phillip Mawer, Public Hearing, 29 June 2009, paragraph 100
- ⁶ Ev 194 (Rt Hon Patricia Hewitt MP)
- ⁷ Members Estimate Committee, *Review of Members' Allowances*, Volume 2, p.29

Chapter 8

Communications expenditure

Introduction

- 8.1 Since April 2007, MPs have been able to claim a communications allowance “to assist in the work of communicating with the public on parliamentary business”.¹
- 8.2 The communications allowance is currently capped at £10,400 a year. MPs can increase the amount available by transferring funds from their office and staffing budgets.
- 8.3 Total expenditure under this heading in 2008-09 was £5.1million. The average amount spent by those who claimed the allowance was £8,400. Some MPs spent little or nothing, often on grounds of principle. 201 MPs spent 99 per cent of the maximum, or more. Of these, 11 spent more than £20,000 by topping up their communications allowance from other budget headings. These numbers show a considerable increase on the previous year. In 2007-08, 113 MPs spent 99 per cent of the maximum, or more, while only two spent more than £20,000.
- 8.4 The allowance is used for activities such as producing and distributing annual reports, information leaflets and other materials, advertising community meetings and funding websites.

Rationale for the allowance

- 8.5 The communications allowance was introduced in April 2007, after discussion engendered by two reports about the promotion of democracy and public engagement.² During the parliamentary debate on introducing the allowance, the then Leader of the House, the Rt Hon Jack Straw MP, quoted a recommendation from one of the reports that MPs:

“Should be required and resourced to produce annual reports, hold AGMs and make more use of innovative engagement techniques [...] What is lacking is the existence of formal, resourced and high-profile methods by which all MPs can listen and respond to the concerns of their constituents between elections.”³

- 8.6 A further factor behind its introduction was concern about excessive use of House of Commons stationery and prepaid envelopes. Previously, prepaid envelopes had been available on demand and without limit. They were used by some MPs to send circulars to all their constituents. The creation of the communications allowance was accompanied by a new cap on the level of expenditure on postage and stationery. The current cap is £7,000 a year. In oral evidence, Mr Straw told the Committee:

“There were some Members of Parliament whose expenditure on envelopes was running at £25,000, £30,000, £35,000, which I regarded as wholly unacceptable and an accident waiting to happen [...] The communications allowance – there is great irony about this – was introduced to control spending.”⁴

The issues

8.7 The main issues raised in the evidence about the communications allowance were:

- The extent to which it has become a matter of party political controversy.
- The use that is made of it in practice and whether that reflects the original intention.
- The difficulties of policing it.
- The extent to which it gives a potentially unfair advantage at the time of elections to incumbent MPs whose opponents have not been able to use public funds to communicate with the electorate.

The controversy over the allowance

8.8 The communications allowance has been the subject of considerable controversy, largely though not wholly on party political lines. Labour MPs tend to be in favour, Conservative MPs against. But some MPs of all three main parties make use of it.

8.9 Those in favour argue that it enhances MPs' ability to communicate with their constituents, often citing in support a decline in reporting by local media:

*"This is an important and valuable allowance [...] which, if used properly, can really assist the difficult task of reaching out to constituents and making MPs, Parliament and politics more relevant to people [...] It would be most regrettable for MPs only to communicate with their constituents in a party political way rather than in a community spirited way."*⁵

8.10 Its proponents include a number who initially voted against it:

*"I initially voted against the communications allowance [...] I have since used the allowance in a sensible non-party political way, to engage with my constituents and believe there is a justification for it."*⁶

8.11 Those opposed to the allowance argue that:

- It is inevitably used in a party political way:

*"To promote the work of individual MPs rather than as a means of genuinely communicating with constituents."*⁷

- It gives an unfair advantage to incumbents as against their prospective opponents at the next election:

*"The communications allowance is little more than an excuse for MPs to exploit the benefits of incumbency and it should be abolished."*⁸

- It is "effectively back door party funding."⁹

The use made of the allowance in practice

8.12 The Committee has been shown some good examples of the communications allowance being used to engage with constituents in ways which appear to be both valuable and appropriate. However, the Committee has seen much more evidence of the allowance being used to fund material which is largely self-promotional, containing little information about local issues but a large number of photographs of the MP, or which mainly recites party lines:

*"If you look at the ways the communications allowance has been used to place advertisements in local papers, local football grounds, very often they are advertising stuff which the MP himself or herself did not do, which was [done by] central government."*¹⁰

8.13 Our focus group work showed support for the principle of proactive communication, but not all members of the public rate what they actually receive very highly. One of those giving evidence told the Committee:

“Of course I want to know what my MP is up to, but I get a regular newsletter that tells me little and actually looks more like a bit of free publicity. I’d rather see the money used to allow MPs to employ a welfare/advocacy worker in the constituency.”¹¹

- 8.14 Unlock Democracy, one of whose main objectives is the promotion of greater democratic engagement, told the Committee:

“We are much more interested in party funding that supports grass roots political activity and not just the sitting MP sending out a full colour mailing saying, ‘I am your MP and I am wonderful’, basically supporting the incumbency factor.”¹²

Policing the allowance

- 8.15 The Committee has also been told of difficulties in policing the allowance effectively. Just over half of all complaints investigated by the Parliamentary Standards Commissioner in 2008-09 were related either to use of the communications allowance or to the use of pre-paid envelopes. The former Parliamentary Standards Commissioner, Sir Philip Mawer, told the Committee:

“I think it is extremely difficult to police [the allowance] adequately. The communications allowance throws into sharp relief the difficult boundary between party political activity on the one hand and parliamentary activity on the other. The pressures in this area are a reflection of the fact that we have failed adequately to grapple with another underlying issue, which is the whole issue of party political funding.”¹³

Benefit to incumbency

- 8.16 The argument that the communications allowance gives an unwarranted benefit to incumbency is difficult to evaluate. The allowance is relatively new, and there has not been a general election since it was introduced. It may be relevant that an article published in the journal *Political Studies*, based upon research conducted after the 2005 general election (i.e. before the communications allowance was introduced) found that there was:

“Little evidence [...] that greater expenditure of money available to MPs through their parliamentary allowances to sustain contacts with their constituents – specifically through free stationery and postage – does bring substantial and significant electoral returns.”¹⁴

- 8.17 The article did, however, go on to speculate that the introduction of the communications allowance could potentially provide some incumbency advantage at the next election:

“Money does matter in some circumstances in local campaigns, and it may well be that this extra injection of funds into local campaigning (indirect if not direct) has a significant impact on the result of the next election.”¹⁵

- 8.18 Not everyone is convinced:

“If you talked to a few MPs now in marginal seats they do not think they have an advantage at all. The opposition parties, where they see a target seat, they are pouring money in far, far more than the sitting MP can raise in most cases. It is taxpayer money at issue; not the amounts of money. Statistically once on re-election, an MP who has won a seat does better next time around.”¹⁶

- 8.19 Others have implied that even if the allowance does give an advantage to incumbency, it either does not signify a great deal when set against all the other advantages and disadvantages of being the sitting MP when it comes to re-election, or it is a price worth paying:

“The information function is important and it would be a great pity to lose the option (there is no other allowance permitting the distribution of circulars about important local developments), but it does give an incumbency bonus.”¹⁷

Conclusion

- 8.20 The Committee believes that effective engagement between an MP and his or her constituents is of the utmost importance, particularly in the wake of recent events. The Committee's survey research shows that the public expect MPs to keep in touch with what they think is important and to explain their actions and decisions.
- 8.21 However, with some commendable exceptions, the evidence that the communications allowance has really succeeded in promoting more effective engagement is very limited, even allowing for the relatively short time since its introduction. There is much more evidence of it being used in ways that are essentially party political or have more to do with self-promotion. It is also difficult to police.
- 8.22 For these reasons, the Committee has concluded that the allowance should be abolished.
- 8.23 MPs who wish to communicate proactively with their constituents – for example, to inform them about issues affecting the amenity or safety of residents, or to elicit their views on local issues – should be allowed to continue to do so, including through the use of websites. But they should fund this from their office budget, where the cost would have to compete with other demands rather than being seen as a free good. The rules about the nature of materials that are publicly funded should continue to apply to communications material published in the future. The independent regulator should ensure those rules are properly enforced.
- 8.24 Abolition of the allowance is consistent with the recommendations of the Langlands and Jones reviews, both of which came to the conclusion that a separate communications allowance was not warranted, but that the office costs allowance should include some amount to allow for communications.

Recommendation 23

The communications allowance should be abolished. MPs should continue to be able to communicate proactively with their constituents, but the cost should be met from within the reformed administrative and office expenditure allowance. The current cap on postage and stationery, and the rules regarding proactive communications, should remain in place.

Financial implications

- 8.25 The Committee has noted that the administrative and office budget was not reduced at the time the communications allowance was introduced, despite a recommendation to that effect from the SSRB on the grounds that the new allowance had been created to meet costs previously covered by that budget.¹⁸ It would follow that no increase is needed now that this decision is being reversed, though the independent regulator may wish to take the change into account next time it reviews the office allowance.
- 8.26 The first round effect of abolition of the communications allowance would be a saving of £5.1 million. That would be reduced to the extent that removal of the allowance causes greater spending out of office budgets. In 2008-09 MPs spent £11.3 million on administrative and office expenditure out of a maximum possible £14.4 million. Even if the whole of the difference had been spent on communications, which seems unlikely, abolition of the communications allowance would still have saved £2.0 million in that year.

References

- ¹ *Order Paper*, 1 November 2006
- ² *Power to the People: the report of Power, an Independent Inquiry into Britain's Democracy*, chaired by Lord Puttnam, March 2006; and, *Commission on the Communication of Parliamentary Democracy, Members Only: Parliament in the Public Eye*, Hansard Society, February 2006
- ³ HC Deb 1 November 2006 c311
- ⁴ Rt Hon Jack Straw MP, Public Hearing, 16 July 2009, paragraphs 309-310
- ⁵ Ev 515 (Greg Mulholland MP)
- ⁶ Ev 201 (Kevin Barron MP)
- ⁷ Ev 520 (Lynne Jones MP)
- ⁸ Ev 454 (Bernard Jenkin MP)
- ⁹ Peter Facey, Public Hearing, 23 June 2009, paragraph 186
- ¹⁰ Peter Osborne, Public Hearing, 23 June 2009, paragraph 36
- ¹¹ Ev 462 (M. Grant)
- ¹² Alexandra Runswick, Public Hearing, 23 June 2009, paragraph 185
- ¹³ Sir Philip Mawer, Public Hearing, 29 June 2009, paragraph 62
- ¹⁴ R Johnston and C Pattie, 'MPs' Expenditure and General Election Campaigns: Do Incumbents Benefit from Contacting their Constituents?' *Political Studies*, Vol. 57, Iss. 3, 2008, p. 7
- ¹⁵ *Ibid.*
- ¹⁶ Peter Riddell, Public Hearing, 30 June 2009, paragraph 238
- ¹⁷ Ev 371 (Nick Palmer MP)
- ¹⁸ SSRB, *Review of Parliamentary pay and allowances 2007*, Cm 7270-1, p. 50-51

Chapter 9

Travel

Introduction

- 9.1 Many MPs need to travel a considerable amount in order to fulfil their parliamentary duties – not only between Westminster and their constituencies but also in and around their constituencies, and on occasion elsewhere in the UK or abroad.
- 9.2 MPs are currently able to claim reimbursement for the costs of:
- Travel between their home, constituency and Westminster.
 - Extended travel for journeys within the UK outside their routine travel pattern.
 - Up to three return visits a year to EU institutions and agencies, and parliaments of EU states.
 - Up to 30 single journeys a year for a spouse or civil partner, and 30 journeys for each child aged under 18 between London and the constituency or (if elsewhere) their main home.
 - A total of up to 24 single journeys a year between London and the constituency for their staff.
- 9.3 Individual claims vary significantly. Some MPs have considerably greater travel costs than others. This may be because they have rural, widely dispersed electorates, or because their constituencies are a long way from Westminster, or both.
- 9.4 In 2008-09, MPs claimed a total of £6.0 million for travel expenses. Further details for the year are not yet available. But in 2007-08, the amounts claimed by individual MPs ranged from zero to £40,800. The average claim was £9,600.

Issues

- 9.5 The Committee has heard anecdotal evidence that, in the past, travel was one of the areas abused by MPs for their personal financial advantage – for example, through several MPs claiming separately for the cost of a journey while sharing a car. We have not received any evidence suggesting current widespread abuse, but scope for it clearly exists and the quality of the audit arrangements up to now has been insufficient to provide much assurance.
- 9.6 The Committee has also heard concerns about the ways in which MPs are able to benefit from arrangements that are more generous than those that apply to the majority of the general public in their own working lives. The Committee has therefore looked at:
- The ability of MPs to claim the full costs of travel from home to work.
 - Travel on parliamentary business – including class of travel.
 - The ability to claim for the cost of journeys made by family members.
 - The arrangements for ensuring transparency of travel claims.

Home to work travel

- 9.7 For most members of the public, commuting between home and work is an everyday cost that has to be covered from their salaries. It would not normally be reimbursed.
- 9.8 MPs are different from most commuters in that they have two permanent places of work – their constituency and Parliament – which are, in many cases, a significant distance apart. The Committee's focus groups thought it entirely appropriate that MPs with constituencies beyond commuting distance to Parliament should be able to claim reasonable costs of travel between these two places of business, just as most other people would in analogous circumstances. The Committee agrees.
- 9.9 But some travel undertaken by MPs is no different to ordinary commuting – for example, the costs of travelling from a home in London to the House of Commons.
- 9.10 The Jones and Langlands Reviews did not seek to distinguish between these two types of journeys. Both took the view that members should be eligible to claim for travel between their home and the legislature:
- "We fully accept the argument that employees do not normally receive reimbursement for commuting. Members, however, are not employees, but elected representatives who attend Parliament on behalf of their constituents and attend local offices to assist constituents with any problem that is brought to the Member's attention."*¹
- 9.11 This Committee disagrees. We consider it an important principle that MPs be treated in the same way as other people in this respect. It is true that their constituents have a choice about where they live, whereas MPs are expected to live and work in the constituency. But even so in our view MPs should meet out of their own salaries the same travel costs as they would if engaged in everyday employment – what might be termed 'ordinary commuting costs' – unless there is a specific business need otherwise, such as for disabled MPs who require particular transport arrangements. In practice, that would mean, for example, that MPs should meet the cost of daily journeys in London to and from Parliament but that extra costs, such as journeys to meetings on parliamentary business would still be reimbursable.

Recommendation 24

MPs should meet the cost of normal commuting journeys themselves, as do most of their constituents. MPs whose constituencies are beyond daily commuting distance should continue to be reimbursed for the cost of travel between their constituencies and London residences.

Travel to a home neither in London nor in the constituency

- 9.12 MPs are currently entitled to claim for the cost of travel to a residence which is not located either in or near their constituency, or close to Westminster. The Committee understands that there are a few cases where an MP's partner has a job which means they need to live somewhere other than London or the constituency. But the purpose of allowing travel claims is to cover the exceptional costs an MP faces from having to travel between two places of work – costs above and beyond those faced by commuters in general. If an MP chooses to locate their main home away from both London and their constituency the taxpayer should not be expected to pay for the consequences of that decision.

Recommendation 25

MPs should not be allowed to claim for the cost of travel to or from a home which is neither in nor close to their constituency.

Travel on parliamentary business

Distinguishing the purpose of travel

- 9.13 The Committee has received evidence suggesting that some journeys made ostensibly for parliamentary reasons may have a predominantly party political purpose.²
- 9.14 Where MPs claim for travel costs and combine parliamentary duties with party political activities, they should consider carefully the primary reason for travel. Should the primary purpose of the journey be party political rather than lead to outcomes clearly identifiable in terms of parliamentary duties, the costs should not be claimed from public funds. In making judgements MPs should err on the side of caution. As at present, travel with All Party Groups should not be claimable.

Recommendation 26

Travel expenses should only be claimed for journeys where the primary purpose and predominant activity are the fulfilment of parliamentary duties.

Class of travel

- 9.15 The Committee heard a range of evidence as to whether MPs should be entitled to claim the cost of first class travel.
- 9.16 Practice elsewhere is variable. In many organisations in both the public and private sectors first class travel is allowed in some circumstances. Cabinet Office civil servants, for example, are entitled to travel first class on train journeys of two and a half hours or more. Senior staff in some organisations travel first class in all cases.
- 9.17 The issue of class of travel was not considered by the *Langlands Review*. The *Jones Review* concluded that reimbursement for travel should be based on standard class tickets.
- 9.18 The Committee's focus groups had mixed views on the subject, but generally concluded that first class travel may be appropriate for MPs in some circumstances.
- 9.19 The Committee takes the view that it would not be appropriate to ban claims for the cost of first class train travel where an MP believes it to be justified to travel in this way. MPs should continue to be permitted to claim for such travel where issues of space or privacy in which to work make this appropriate. But the ability to travel first class does not absolve MPs from their responsibility to consider value for money when purchasing tickets. Costs of train travel vary significantly, particularly depending on time of travel and when tickets are booked. It should be up to each MP to ensure that they provide best value for the taxpayer and, if necessary, to justify the choices they make to their constituents. MPs should be encouraged to use the central travel office to achieve savings when purchasing tickets. The audit and assurance arrangements should include proportionate checks to ensure that best value is being obtained.
- 9.20 Given the limited time involved in journeys by air within the UK and to EU member states, the Committee believes that reimbursement of economy class fares only would be appropriate.

Recommendation 27

MPs should continue to be permitted to claim for first class train travel for longer journeys where issues of space or privacy in which to work make this appropriate. However, MPs should always ensure that value for money for the taxpayer is provided when making travel arrangements. The audit arrangements should include proportionate checks to ensure that this is happening in practice.

Family travel

9.21 Under the current rules, spouses and civil partners are entitled to up to 30 single journeys a year between London and the constituency or the MP's main home. Children aged under-18, or aged 18 but in full-time secondary education, are also entitled to 30 single journeys a year. So are disabled children over the age of 18.

9.22 The Committee received some evidence questioning this practice:

*"Provision for family travel may no longer be required given that MPs spend more time in their constituencies than ever before and in most cases will divide their week between Westminster and their constituency."*³

9.23 Or suggesting that it should be reduced in scale:

*"There is certainly a case for reducing the number of claimable journeys by spouses, partners and children."*⁴

9.24 But the Committee was also told that allowing for a certain level of family travel is important in enabling MPs to maintain some semblance of a work-life balance:

*"If we are going to have an effective, just, legitimate Parliament, we need to ensure that it includes people with caring responsibilities, and because our job requires us to operate in two places, in the constituency and in Westminster, and in both places we are working, those who have families need to be able to find a resourceful way to be able to have a family life and do their job in two places."*⁵

9.25 The general feeling in the Committee's focus groups was that the rules were not unreasonable, and that allowing for limited expenditure in this area would make the role more attractive and accessible to people with families.

9.26 The Committee strongly endorses the view that additional barriers should not be put in the way of those with young families who wish to enter Parliament, and that claims for family travel should be allowed to continue. The current arrangements allow for family members to travel approximately once every two weeks while Parliament is sitting. This does not seem to be excessive, provided MPs apply the same principle of purchasing best value for money tickets for family members as they should in making their own travel arrangements.

9.27 But some aspects of the current regime do appear over-generous. It is particularly odd that family travel can be claimed for journeys from a main home which is neither in nor near the constituency. The purpose of allowing for family travel is to take account of the difficulty arising from working in two places, not from other arrangements that MPs and their families may have in place. Other families have to make decisions jointly about where it is practicable to work and live together. It is not unreasonable to expect MPs and their families to have to make similar decisions.

9.28 There is currently no restriction on the class of travel available for family members. While first class travel by MPs may on some occasions be justifiable to allow them to work whilst travelling, this argument does not apply to MPs' family members. Family members should, therefore, be eligible to claim only for the costs of standard class tickets. It also seems unlikely that claims for travel are justified during periods when the House is not sitting. Claims for such travel should only be allowed in exceptional circumstances.

9.29 In its 2007 Report, the SSRB recommended that:

*"Partners of MPs who are named in the Parliamentary Contributory Pension Fund as sole beneficiaries should be entitled to the same travel arrangements available to spouses and civil partners."*⁶

The Committee agrees. We understand there may be some tax implications that will need to be addressed. But we believe that a modern system ought to be able to acknowledge different family structures and personal arrangements.

Recommendation 28

MPs who represent constituencies beyond a reasonable commuting distance from Parliament should continue to be entitled to claim for travel for family members. Reimbursement should only be claimable for travel between the constituency and London, and vice versa. Best value for money should always be pursued in purchasing these tickets and only the cost of standard class tickets should be claimable. Claims for family travel when Parliament is not sitting should only be permitted in exceptional circumstances.

Transparency

- 9.30** Mileage claims by MPs are reimbursed at a level which reflects current HMRC approved rates. This approach is in line with much of the public and private sector.
- 9.31** However, unlike standard practice elsewhere, MPs are not required to log details of all journeys for which claims are made. Until April 2009, the requirement was to submit supporting evidence only for mileage claims above 350 miles a month. Recent changes have linked the *de minimis* level to the size of an MP's constituency.
- 9.32** In the Committee's view, MPs should be required to log details of all journeys for which mileage is claimed, in line with common practice elsewhere. We do not accept that, as some MPs have suggested, this would be a disproportionate burden. MSPs are already required to do the same. Introducing this level of transparency should help safeguard against the potential for abuse in the future.
- 9.33** The National Assembly for Wales and the Scottish Parliament publish details online of all individual travel claims, including the date, description and cost of travel. Westminster MPs should be expected to do the same. MPs should also make clear the class of travel.

Recommendation 29

Receipts and explanations of the purpose of the journey should be required for all travel claims. Where mileage is claimed, details of the distance and purpose of each journey should be provided. Details of individual travel claims by MPs should be available online.

Financial implications

- 9.35** The changes recommended in this chapter, in relation to normal commuting journeys and the need to consider value for money, should lead to a reduction in overall expenditure on travel. It is likely that the greater transparency from publishing receipts – and details of class of travel when journeying by public transport – will also have an effect. It is very difficult, however, to quantify this in advance.

References

- ¹ *Langlands Review*, p.50
- ² Ev 668 (Matthew Taylor MP)
- ³ Ev 514 (Hansard Society)
- ⁴ Ev 102 (Chris Mullin MP)
- ⁵ Fiona Mactaggart MP, Public Hearing, 13 July 2009, paragraph 672
- ⁶ SSRB, *Review of parliamentary pay and allowances 2007*, Cm 7270-1, p.54

Chapter 10

Leaving office

Introduction

- 10.1 MPs who leave office at a general election are entitled to redundancy pay in the form of a resettlement grant of between 50 and 100 per cent of their annual salary, currently equivalent to between £32,383 and £64,766. The first £30,000 is tax-free, as with all redundancy payments which meet HMRC rules. The amount received by an individual MP is calculated on the basis of a combination of time served in Parliament and age upon leaving. MPs who resign or otherwise leave office during a Parliament – i.e. between general elections – do not receive the grant.
- 10.2 The grant was introduced in 1971 in recognition of the:
- “Uncertainties attached to the tenure of a parliamentary seat and the need for a bridging arrangement for former MPs.”¹*
- 10.3 Total expenditure after the 2005 general election, when 136 MPs left Parliament, was £5.4 million.² The average payment was about £38,000, 64 percent of the then salary.
- 10.4 MPs leaving office are also able to claim for expenditure incurred in winding up their offices and making staff redundant. ‘Winding-up expenditure’ is available for up to six months after leaving Parliament. Currently, MPs may claim up to £42,068, calculated as one-third of staffing expenditure plus one-third of AOE. Total expenditure after the 2005 general election was £3.8 million and the average payout was just under £28,000. This grant is used to cover outstanding office costs and salary payments to staff. It does not form part of an MP’s redundancy pay.
- 10.5 Other funds provided under the budgets for staffing expenditure and AOE cannot be used after polling day, except to meet any outstanding costs incurred before the date of the election.

The resettlement grant

- 10.6 The main issues about the resettlement grant are whether it should be paid at all, whether it should go to all MPs or only to those whose departure from the House is involuntary, and how it is calculated.

The case for redundancy pay for MPs

- 10.7 A number of submissions have questioned whether the resettlement grant is necessary:

“There is no justification whatsoever for a resettlement grant. By standing for election a Member of Parliament is aware of the duration and terms of his employment.”³

“Even if an MP loses his seat at an election, this is not equivalent to being made redundant; it is equivalent to concluding a fixed term contract [...] In the future, MPs who lose their seat in an election should be guaranteed a maximum of one month’s basic pay, to help with the readjustment of departure from the Commons.”⁴

- 10.8 In the Committee’s view, being an MP is different to working on a fixed-term contract in a number of important respects. Those standing for re-election do not know for certain whether they will be serving for

another term until polling day and cannot reasonably be expected to spend much time planning for defeat at a time when they are devoting all their energies to trying to be re-elected.

- 10.9 The analogy with fixed-term contracts also ignores the fact that any employee kept on continuously for two years or more on a fixed-term contract enjoys the same redundancy rights as a permanent employee.
- 10.10 The evidence shows that MPs, like others made redundant and forced to change career, are not necessarily able to find new employment quickly:

"A fifth of our respondents (21 per cent) reported that they were able to find employment immediately or almost immediately. (One ex-Conservative MP said that he was offered a job after three days.) For almost a third (31.7 per cent) the job hunt took up to three months, and for a fifth (21 per cent) up to six months."

For one in eight former MPs (12.9 per cent), however, it took up to 12 months to find work, while one in seven (14.5 per cent) took over a year to finally find a job after leaving Parliament. 'Be patient with the job-hunting – it will take longer than you imagine', was the advice one ex-MP would give to defeated parliamentarians."⁵

- 10.11 In the Committee's focus groups, a number of participants drew an analogy between losing a seat at an election, or through deselection, and being sacked for poor performance – circumstances in which redundancy pay would not normally be paid. The Committee understands the point. However, the electorate makes its decisions for many reasons other than the performance of individual MPs. Someone who is regarded as a very good MP locally might still lose their seat because of dissatisfaction with the performance of the political party they represent. Similarly, deselection may occur for political reasons, not because an MP has poorly represented his or her constituents.
- 10.12 The Committee takes the view that it is appropriate that redundancy pay be available to MPs who lose their seats through defeat in an election, through a boundary change or as the result of deselection – just as redundancy pay is available to many others who lose their jobs involuntarily.

MPs who stand down voluntarily

- 10.13 The case for providing redundancy pay to MPs who leave their seats *voluntarily* is much less obvious. The practice has been queried by a number of witnesses:

"If an MP decides to step down, then this is surely the equivalent of any other person choosing to resign from their employment. On that basis it would appear that there can be no justification whatsoever for a termination payment to be required."⁶

"It is a voluntary decision to retire and resign and presumably you have taken your salary or lack of salary in whatever you are going to do next into account that has caused you to take that decision. You do not normally expect to be paid off as well."⁷

- 10.14 The SSRB recommended the removal of the grant from voluntary retirees in its 2007 report,⁸ a recommendation rejected by the House on the advice of the MEC.
- 10.15 The justifications for keeping the grant for voluntary retirees given in evidence to the Committee were much the same as those given at the time for rejecting the SSRB recommendation:

"The current level of resettlement grant is generous and could be reduced. But some resettlement grant is advantageous for our democracy in that retiring MPs can concentrate on working hard for their constituencies up till the general election without having to find a job for themselves afterwards."⁹

"Some argue it should not be paid to those leaving voluntarily. But given the uncertainty over election dates there are real issues seeking alternative employment given they do not know when an election will be. The issue of arranging new employment having been an MP is especially vexed if they do not take other jobs whilst an MP."¹⁰

- 10.16 The Committee sees some merit in these arguments. It is important that MPs are able to focus fully upon working for their constituents up until the dissolution of Parliament. Finding alternative employment may be more likely to be a problem for those MPs who choose not to take on outside interests while serving their constituents.
- 10.17 Moreover, an MP's job does not end on the day they leave office – live casework needs passing on to successors, other case files need to be safely stored or disposed of as offices are cleared out, and staff must be made redundant and supported in finding new jobs. Former MPs do not receive any salary for doing this work. The resettlement grant provides some compensation.
- 10.18 There were two other arguments advanced in support of the present position which the Committee found less convincing.
- 10.19 The first is that removing the grant from those who stand down voluntarily could lead to some MPs deliberately standing in seats, other than their own, which they knew to be unwinnable. In that way they could still leave the House, but collect the grant. There is one much quoted case of that happening before the present arrangement was introduced. The Leader of the House referred to this case when asked why the House of Commons had rejected the SSRB recommendation:

"I think what had happened was that an MP, not wanting to resign or retire and thereby lose the resettlement grant, had gone and stood somewhere else in a constituency that they were not going to win".¹¹

- 10.20 The Committee recognises this possibility. But we do not agree that the right response to one case is to pay the grant to all MPs. To put the question beyond doubt, we suggest that the new independent regulator should have the power to withhold the resettlement grant in any future analogous case.
- 10.21 The second argument is that removing the resettlement grant from MPs who voluntarily stand down could provide *"A perverse incentive for people not to retire."*¹²
- 10.22 The Committee does not believe that this would be a significant factor, nor one which should influence who gets the grant. It agrees with the view of one former MP:

"I do not think it would make any difference, quite frankly. [The existence of the grant] is just not going to make people [leave] who have been in Parliament a long time and want to stay there."¹³

- 10.23 The Committee does not regard it as appropriate that those MPs who stand down voluntarily should receive the full resettlement grant. But it recognises that such MPs have some continuing commitments to their jobs after they leave office, and considers that it would be appropriate for them to receive some recompense. The appropriate amount is to some extent an arbitrary judgement. Eight weeks' pay from the date of the general election, regardless of length of service, would have the effect of providing about 12 weeks' notice from the date the general election was called. MPs are already paid for the period between dissolution and polling day, and an additional eight weeks' pay would currently be equivalent to £9,964.

Recommendation 30

The resettlement grant should be retained for MPs who lose their seats at a general election, as the result of deselection or because of boundary changes. MPs who voluntarily stand down at a general election should no longer receive the grant. They should instead receive eight weeks' pay from the date of the general election.

- 10.24 MPs who stand down during the middle of a Parliament should, as now, receive no recompense after they resign their seat.

The level of the resettlement grant

- 10.25 The resettlement grant is set at a level which is higher than minimum statutory redundancy pay (currently capped at £380 a week). This is no different from many non-statutory redundancy schemes in the public and private sectors. Even so, some regard the present scheme as over-generous.

*"I cannot see any justification for a routine resettlement grant of up to £64,766. MPs jobs are insecure but so are many other peoples who do not enjoy such generous benefits."*¹⁴

- 10.26 In its 2007 report, as well as proposing changes in the scope of the scheme, the SSRB recommended amending the method of calculating the grant in order to bring it into line with the Employment Equality (Age) Regulations 2006 (though formally these do not apply to MPs, as elected office-holders).

*"We recommend that, with effect from the general election after next, [the] resettlement grant should be paid at a rate of one month's salary for each year of service as an MP, up to a maximum of nine months' salary."*¹⁵

- 10.27 The MEC rejected this proposal, although at least one of its members has since changed his mind.¹⁶ Some other MPs have also expressed concern at the way in which the resettlement grant is currently calculated.

*"I could not quite see the logic of the resettlement grant [...] It seemed to me you got the most when you retired when you were about 60, which is when a lot of people retire anyway."*¹⁷

- 10.28 The Committee has not considered the quantum of the resettlement grant in detail. However, given that the SSRB's report is the most thorough recent independent consideration of the level of the resettlement grant, the Committee believes that its proposals should now be adopted. This has the added benefit of ensuring that Parliament's practices reflect the equality requirements of its own legislation.

Recommendation 31

The resettlement grant should be paid at a rate of one month's salary for each year of service as an MP up to a maximum of nine months' salary, as proposed by the SSRB.

Implementation

- 10.29 Changes to the resettlement grant could in theory be introduced before the next election.
- 10.30 But a significant number of MPs have been planning their voluntary departure from the House of Commons on the basis that the grant would be available to them, and the next election is now only a short time away.
- 10.31 On balance the Committee takes the view that it would be inappropriate for those MPs who have behaved with honesty and integrity and had already planned to stand down prior to the expenses scandal to have their retirement affected at this late stage. It has therefore concluded that the new arrangements proposed here should take effect after the next election.
- 10.32 This approach is similar to that recently adopted by the National Assembly for Wales, where changes to the resettlement grant will only come into force after the next Assembly election. It also accords with the original timetable specified by the SSRB.

Recommendation 32

The new arrangements for the resettlement grant should not apply at the next general election, but should come into force immediately after that.

Removal of right to receive the resettlement grant in cases of significant abuse

- 10.33** The Committee is conscious that one consequence of this recommendation is that the resettlement grant will, unless further action is taken, be available to all MPs standing down at the next election, irrespective of their reasons for going. An MP leaving the House of Commons directly as the result of revelations about their expenses could therefore still be entitled to a resettlement grant. Employees in other organisations who are found guilty of serious misconduct would be unlikely to receive redundancy pay. Allowing MPs found guilty of abuse to receive the resettlement grant can only confirm the view of many members of the public that holders of public office who transgress are not being held to account with sufficient severity – which would further undermine confidence in the self-regulation of the House.
- 10.34** The Committee understands that it is currently open to the House of Commons by resolution to withhold the resettlement grant in appropriate cases, usually following a recommendation from the Committee on Standards and Privileges.¹⁸ In the Committee's view the removal of all or part of the grant should be one of the sanctions the House should have at its disposal, and the Committee on Standards and Privileges should be prepared to use it in any appropriate cases relating to the past as well as to the future. We think it would be highly undesirable for any MP leaving Parliament at the next election after seriously abusing the expenses system to receive a payment widely regarded as a 'golden goodbye'.
- 10.35** Because the new expenses scheme will take the form of a statutory scheme, the House will in future no longer be able to vary it, either generally or in individual cases, by a simple resolution. It will therefore be necessary for the new scheme to include a provision expressly empowering the House of Commons to withdraw the resettlement grant in whole or in part, from an MP in the circumstances described above.

Recommendation 33

Where an MP is found to have seriously abused the expenses system or otherwise seriously breached the Code of Conduct, the Standards and Privileges Committee should always consider recommending that the House reduce or remove the resettlement grant from that MP as part of any sanctions to be imposed and should be prepared to do this for past as well as for future breaches of the rules. The new statutory scheme should empower the House of Commons to impose such a sanction by resolution.

Winding-up expenditure

- 10.36** The Committee received little evidence in relation to winding-up expenditure, which is available for six months following an MP's departure from the House of Commons to meet any outstanding staff, office and travel costs. Those who did comment were broadly supportive:

*"I must admit, when I first saw the winding up allowance, I thought, 'Gosh, that looks really generous; I will not need anything like that', and I was surprised how long it did take, particularly as the new MP did not want my office, to do all the transfer and get rid of the stuff in all my filing cabinets."*¹⁹

*"The Winding-Up Expenditure is very necessary support so that legal and other obligations can be met, such as staff redundancies and office lease obligations."*²⁰

- 10.37** The Committee has recommended that staff redundancy costs should in future be met out of a central budget (see Chapter 6). The winding-up expenditure budget limit will need to be reduced accordingly.

Financial implications

- 10.38** Limiting the resettlement grant to a maximum of nine months' salary, as opposed to the present 12 months', will reduce overall costs, as will the abolition of the resettlement grant for MPs who voluntarily stand down.
- 10.39** The exact level of savings is difficult to predict, and the new recommendations will not be in place until the election after next. Had the Committee's recommendations been in place at the 2005 general election, they would have reduced costs by approximately £2.6 million.

References

- ¹ *Members' pay, pensions and allowances*, House of Commons Factsheet M5, p. 7
- ² *The House of Commons: Members Resource Accounts 2005–06*, July 2006, HC 1454, p.28
- ³ Ev 408 (Franz Plachy)
- ⁴ Ev 510 (The Taxpayers' Alliance)
- ⁵ E. Gouge and V. Honeyman, *Life After Losing or Leaving: the Experience of Former Members of Parliament* (University of Leeds, 2007), p.20
- ⁶ Ev 334 (H. Bayliss)
- ⁷ Philippa Foster Back OBE, Public Hearing, 8 July 2009, paragraph 224
- ⁸ SSRB, *Review of parliamentary pay, pensions and allowances 2007*, p. 57
- ⁹ Ev 473 (Julia Drown, former MP)
- ¹⁰ Ev 668 (Matthew Taylor MP)
- ¹¹ Rt Hon Harriet Harman MP, Public Hearing, 16 June 2009, paragraph 198
- ¹² *Ibid.*, paragraph 200
- ¹³ Elizabeth Peacock, Public Hearing, 13 July 2009, paragraph 88
- ¹⁴ Ev 586 (Martin Horwood MP)
- ¹⁵ SSRB, *Review of parliamentary pay, pensions and allowances 2007*, Cm 7270-1, p. 57
- ¹⁶ Ev372 (Sir Stuart Bell MP)
- ¹⁷ Rt Hon Sir George Young MP, Public Hearing, 29 June 2009, paragraph 240
- ¹⁸ In a letter to this Committee, dated 3 July 2009, Rt Hon Sir George Young, the then chair of the Committee on Standards and Privileges, wrote "*The advice I have received is that the House has the power to withhold all or part of the resettlement grant to which a person would otherwise be entitled. It would do so by Resolution. Such a Resolution would clearly have to be made before the grant had been paid.*"
- ¹⁹ Julia Drown, Public Hearing, 13 July 2009, paragraph 59
- ²⁰ Ev 706 (Committee on Members Allowances)

Chapter 11

Outside interests

Introduction

- 11.1 The Prime Minister has specifically asked the Committee to consider the issue of MPs having paid outside interests, or second jobs. In his letter of 23 March 2009 he said:

*“I would welcome a review of MPs’ support and remuneration, including outside interests, carried out by the Committee on Standards in Public Life as it offers the opportunity to consider the full picture. For example, you will have greater freedom to consider issues such as the impact of MPs holding second jobs and their roles outside of Parliament.”*¹

- 11.2 The House of Commons subsequently passed a resolution, on 30 April 2009, which had the effect of considerably increasing the amount of information on paid outside interests which MPs must declare on the new Register of Financial Interests. These requirements came into effect on 1 July 2009.

- 11.3 Introducing the measure, the Leader of the House said:

“The Prime Minister has already asked the Committee on Standards in Public Life to look into the issue of MPs and second jobs, in order to avoid conflicts of interest and to reflect the fact that MPs receive a parliamentary salary for a full-time job. Meanwhile, there should be greater transparency.

*Where Members of Parliament have a second source of income from second jobs, irrespective of whether it is in their capacity as an MP, every payment shall be declared with a full description of who paid and what for. There shall also be a full declaration of the hours worked for the payment received.”*²

What is meant by outside interests?

- 11.4 The Committee has taken the Prime Minister’s interest to be in any form of activity outside the time commitments for which an MP receives payment and which might create a conflict of interest or time commitments which stop the MP from actively fulfilling his or her primary role, or both.
- 11.5 MPs perform a wide variety of second jobs. Many earn income from journalism – usually, though not always, related to political issues. Some are company directors. A number continue to practice in their previous professions such as dentistry or law, either at a minimum level to maintain their professional standing, or more widely. Currently around 350 MPs have no second jobs at all, often on grounds of principle, believing that being a Member of Parliament should be their sole focus of activity.³
- 11.6 It has also been suggested that the increased focus on second jobs has been a factor in the decision by some MPs to stand down at the next election. Only a small number of MPs who have indicated that they will be standing down have said that their second job is a factor in reaching their decision to do this.
- 11.7 There is one special case of outside interests concerning MPs who also sit in other legislatures. This issue now primarily affects MPs from Northern Ireland and is considered in Chapter 12.

Should the role of an MP be a full-time job?

- 11.8 The Committee considered the issue of MPs' outside interests in its First Report, *Standards in Public Life*, in 1995. It recommended then that MPs should remain free to have paid employment unrelated to their elected role. It explained:

"We believe that those Members who wish to be full time MPs should be free to do so, and that no pressure should be put on them to acquire outside interests. But we also consider it desirable for the House of Commons to contain Members with a wide variety of continuing outside interests [...] A Parliament composed entirely of full-time professional politicians would not serve the best interests of democracy. The House needs if possible to contain people with a wide range of current experience which can contribute to its expertise [...] The onward march of the professional politician may be an irresistible feature of modern life, but we believe that nothing should be done by way of institutional arrangements which would hasten it." ⁴

- 11.9 Since 1995 a number of things have changed. In particular:

- The reduction in late night sittings has led to a significant change in the hours when Parliament sits.
- Many MPs who gave evidence to this inquiry reported a considerable rise in constituency casework.
- It is widely believed that there has been an increase in the proportion of MPs whose entire careers have been based on politics and whose direct experience of other walks of life is therefore limited.

- 11.10 Nevertheless, the essential questions remain the same. Do we want a House of Commons composed solely of people who focus all their time and energy on being an MP, on the grounds that that is what the role demands if it is to be done well? Or would that unduly inhibit the recruitment to the House of the diverse group of people it needs to represent the electorate properly? And would it deprive MPs of the opportunity to refresh their experience of life outside Parliament and to maintain the work-related expertise which might increase their value in scrutinising legislation?

- 11.11 As on the previous occasion when the Committee considered this question, views received from those outside Parliament have been mixed. Many members of the public have argued against MPs holding a second job on the grounds that it compromises their role as representatives of the people, that being an MP is, or should be, a full-time job if done properly and that not having other jobs avoids any conflict of interest and ensures that MPs do the job that the state pays them to do. A large number of others support MPs having paid outside interests. They believe this brings wider experience to the House or argue that if MPs became detached from the world outside Parliament this would be bad for democracy, and lead to poorer legislation.

- 11.12 Professor Anthony King told the Committee:

"I personally deplore the currently fashionable idea that MPs should no longer be allowed to have outside interests and occupations. We do not want, in my view, to be governed not merely by professional politicians but by people who are no more than professional politicians and who know little or nothing from direct personal experience of the working world beyond the Westminster village." ⁵

- 11.13 The views of MPs on this issue tended to be less divided along party lines than might perhaps be expected. Typical of those in favour were:

"The decisions on outside interests should be left to individual Members and to the judgement of their constituents. It would be wrong for the House to prescribe their working lives, but both it and the electorate have the right to full transparency." ⁶

"Far too many Members of Parliament nowadays come through the route of student unions, presidents and then local councillor and then researcher and then Member of Parliament. They have not seen anything of life outside. I think that is a mistake frankly if you ban people." ⁷

*“It is incredibly important for the House of Commons that people do have outside interests. We do not want the vein from which MPs are drawn to become so narrow or so increasingly professionalised that a lot of sectors of the population just will not come into the House of Commons.”*⁸

11.14 Typical of those expressing views against second jobs were:

*“What I struggle to see is how the fulltime work of an MP can be supplemented by another full time job outside [...] It just strikes me that anyone seeking to retain any higher level of income from outside, would struggle to explain their parliamentary role as other than a part-time or supplementary one. If people want to pursue other careers let them do so. The duties involve in running the country are far too important to be consigned to the level of a hobby.”*⁹

*“An MP’s job should be a full-time one. The taking up of further employment or outside paid interests should be banned. It is hard to see how an MP can effectively undertake his constituency and parliamentary duties on a part-time basis.”*¹⁰

11.15 The Committee believes that it is possible to overstate some of the arguments in favour of second jobs. It also has considerable sympathy with the view that constituents have the right to expect that their MPs are devoting the greater part of their time and energy to their parliamentary role. Many people find it difficult to believe that MPs who devote significant time to paid employment outside the House can really be fulfilling the implied contract with their constituents.

11.16 On the other hand:

- There are different ways in which MPs can perform their roles; and there is not necessarily any correlation between the amounts of time spent on paid employment outside the House and the assiduity with which MPs look after the interests of their constituents.
- The Committee continues to attach importance to the arguments advanced by our predecessors in 1995 about the value that outside employment can bring to MPs’ effectiveness in performing their parliamentary duties – though there are, of course, ways of keeping in touch with outside experience which do not involve payment.
- Crucially, the Committee notes that the public values independence of mind in their MPs. A ban on outside paid interests would mean that the only way of adding to an MP’s salary would be by advancement within the House, which might have the effect of making MPs more dependent on the patronage of the Whips.

11.17 In the Committee’s view, this is largely an issue of balance. A limited amount of time spent writing newspaper articles or other paid journalism, for example, need not be incompatible with being a fully effective MP. Nor is it unreasonable for MPs with professional qualifications to wish to maintain some element of expertise, or for others to take the view that limited direct experience of a particular issue is a good way of building up expertise which will benefit their contribution in Parliament. But if any of these activities are pursued to excess they are bound to have an impact on the MP’s effectiveness in performing their main role.

11.18 The Committee takes the view that outside paid employment should not be banned, provided it is kept within fairly limited bounds and there is transparency about it. Electors can then make up their own minds whether they are prepared to vote for someone who is not devoting the entirety of their time to their parliamentary duties.

Recommendation 34

MPs should remain free to undertake some paid activity outside the House of Commons, provided it is kept within reasonable limits and there is transparency about the nature of the activity and the amount of time spent on it.

Improving transparency

11.19 Senior people in the public and private sectors are occasionally permitted to take on roles outside their main employment – either where this may bring business advantages, or to help the individual's personal development. But in such cases there is a form of control in that the employee invariably has to obtain consent from the employer. In many instances they would also be required to pay any fees for this outside activity to the employer, or to a charity. There are no equivalent arrangements for MPs.

11.20 It is therefore essential that constituents have sufficient information about an MP's other activities to make judgements for themselves about the potential impact on their performance as an MP and about whether there is any conflict of interest.

11.21 Following the April Resolution, from 1 July 2009 the amount of information MPs have to disclose about their paid outside interests has been considerably increased. In proposing the motion the Leader of the House said:

"The [...] motion would, by requiring Members to declare all their earnings from outside employment, enable the Kelly review to make its proposals about outside employment with full¹¹ knowledge of its extent. I think that, if the public elect a Member, they have a right to know how much time that Member devotes to making money rather than to representing their constituents."

11.22 Under the previous arrangements, MPs were required to register any directorships or other paid employment, together with the earnings they received within broad bands if the employment related in any way to their membership of the House. However, they did not have to specify the exact amount they were paid for each job, nor the amount of time spent on it. Now they have to register the precise amount of each individual payment and the nature of the work carried out in return for that payment, together with an indication of the amount of time spent on the relevant piece of work.

11.23 In evidence to the Committee, MPs expressed mixed views about the additional requirements for disclosure:

*"It is right that all interests, and the remuneration and time involved, should be properly accounted for."*¹²

*"Those who take additional paid employment [...] should declare the hours spent on these commitments, and the income received so that voters can consider if they are able to carry out the core job of being an MP."*¹³

*"As far as outside interests are concerned proportionality is the key. For example, I already have to declare in the Register of Interests that I am paid to be a Daily Express journalist and I have to indicate the level of remuneration for which I receive. The proposed new arrangements which seriously suggest that we list the hours we have to work for any outside remuneration are both ludicrous and unenforceable and they are also quite unnecessarily intrusive [...] I believe that the quality of MPs will diminish seriously if we go down the route of discouraging outside interests [...] The Register has simply become nose-pokery rather than a serious assessment of possible outside influence."*¹⁴

*"It is right that there should be full disclosure about the nature of outside interests; Members of Parliament should be prepared to answer for the decisions they take as to how they allocate their time."*¹⁵

11.24 The Committee takes the view that it is important that constituents have access to as complete information as possible about the extent of their MPs' activities outside the House of Commons. Recording the number of hours worked, as well as the payment received will increase transparency. In particular, it will inform the public so that they can judge the extent of an MP's commitment. However, it is also important that the issue is dealt with proportionately. The new arrangements should therefore be reviewed early in the next Parliament to assess whether they are working effectively and without disproportionate effort. This should include consideration of a sensible *de minimis* rule for registering individual payments.

- 11.25** To achieve complete transparency, the relevant information recording MPs' outside interests must be made easily available. Current online access to the register is not particularly user-friendly and is rather time-consuming. For example, in order to view the entry for a Member with a name beginning with a letter towards the end of the alphabet it is necessary to scroll through the register up to that point. Nor is the register explicit about the requirements in relation to significant unpaid interests, such as the holding of a position of responsibility in a voluntary organisation. The guidance to category 11 of the register where such unpaid interests are recorded is expressed in permissive rather than mandatory terms. It should be made clear that MPs should register significant unpaid interests which could cause a conflict of interest, a clash of priorities or take a substantial amount of time.
- 11.26** A general election or by-election is probably the time when most members of the public are interested in finding out more about the background of candidates. The Committee believes that there is a good case for all candidates at parliamentary elections, including sitting Members of Parliament, to be obliged to disclose explicit details of any other jobs they currently hold and whether they intend to retain some or all of them if they are elected. The most transparent way would be for a candidate to provide such information when they hand in their nomination papers. However, the Committee accepts that there is limited time to introduce this before the next general election. It therefore recommends that the Ministry of Justice should issue guidance for the next general election and consideration should then be given as to whether this should become a statutory part of the nominations process for future elections.

Recommendation 35

Consideration should be given to ways of increasing the accessibility and usability of the Register of Members' Financial Interests.

Recommendation 36

MPs should be required to register positions of responsibility in voluntary or charitable organisations, even if unpaid, together with an indication of the amount of time spent on them.

Recommendation 37

All candidates at parliamentary elections should publish, at nomination, a register of interests including the existence of other paid jobs and whether they intend to continue to hold them, if elected. The Ministry of Justice should issue guidance on this in time for the next general election. Following the election, consideration should be given as to whether the process should become a statutory part of the nominations process.

Controls on outside employment

- 11.27** A number of witnesses suggested that if second jobs were to continue, it would be possible or desirable to put restrictions on them such as limiting the number of hours an MP could spend on a second job, limiting the extra income they could earn, or abating their parliamentary salary.

*"My own view is that it should not be a part-time job. The nation is entitled to have Members of Parliament full attention on their three main tasks – serving their constituents, legislating and scrutiny of the executive. There is plenty to do! [...] We could look at introducing a 15% (of salary) limit on external earnings as the Americans do."*¹⁶

- 11.28** The Committee has considered this issue carefully. It believes that a greater degree of transparency, combined with increasing pressures from constituency duties, is likely to reduce the number of MPs working what might be regarded as excessive hours in employments outside their parliamentary duties. Introducing a salary restriction of the kind suggested does not seem necessary at this stage. However the Committee believes that developments in this area should be kept under close review.

Former ministers

11.29 The principle of doing other paid work while remaining an MP should clearly apply to all MPs, including those who are former ministers. In their case there is a further issue because some of them have been engaged as consultants or advisers by firms involved in activities related to their former ministerial portfolios.

11.30 In January 2009 the Public Administration Select Committee (PASC) highlighted concerns about this in a report on lobbying:

“The ‘revolving door’ is a particular issue if it is likely to give those who have left the public sector preferential access to current decision-makers or if it is likely to cause a conflict of interest for current civil servants or Ministers who have come from or hope to go to work elsewhere.

We are strongly concerned that, with the rules as loosely and as variously interpreted as they currently are, former Ministers in particular appear to be able to use with impunity the contacts they build up as public servants to further a private interest. We think that this is unacceptable, particularly where they continue to be paid from the public purse as sitting Members of Parliament. The rules need to reflect this.”¹⁷

11.31 Currently, former ministers have to seek advice from the Advisory Committee on Business Appointments (ACOBA) if they wish to take up an outside appointment within two years of leaving their ministerial post. ACOBA considers each appointment on its merits using guidelines set by the Government. It then provides advice which is made public if the appointment is taken up. The Ministerial Code states that ministers are expected to abide by the advice of the Committee. However, ACOBA is not responsible for enforcing compliance.

11.32 The Government response to the PASC report agrees that the current guidelines for former ministers need revision so as to bring them up-to-date and to ensure that they can be interpreted as unambiguously as possible.¹⁸ The Committee welcomes this proposed revision to the rules. However, it believes the force of the rules should be strengthened in relation to former ministers who are also MPs by including in the House of Commons Code of Conduct a requirement that former ministers should follow the advice that ACOBA provides.

Recommendation 38

The MPs' Code of Conduct should be revised to allow complaints to be made against an MP who is a former minister and who takes on outside paid employment but does not follow advice provided by the Advisory Committee on Business Appointments (ACOBA).

References

- ¹ Prime Minister's letter of 23 March 2009
- ² HC Deb 21 April 2009 c11WS
- ³ This figure was reached by excluding those MPs who are also ministers and those MPs who have indicated in the register of finance interests that they currently have ongoing paid employment.
- ⁴ Committee's First Report, *Standards in Public Life*, Cm 2850, May 1995
- ⁵ Professor Anthony King, Public Hearing, 16 June 2009, paragraph 22
- ⁶ Ev 401 (Peter Luff MP)
- ⁷ Elfyn Llwyd MP, Public Hearing 29 June 2009, paragraph 343
- ⁸ Andrew Mitchell MP, Public Hearing, 8 July 2009, paragraph 525
- ⁹ Ev 559 (Alan Simpson MP)
- ¹⁰ Ev 446 (Harry Barnes, Former MP)
- ¹¹ HC Deb 30 April 2009 c1070
- ¹² Ev 557 (Tony Wright MP)
- ¹³ Ev 657 (Paul Flynn MP)
- ¹⁴ Ev 243 (Rt Hon Ann Widdecombe MP)
- ¹⁵ Ev 581 (Andrew Mitchell MP)
- ¹⁶ Ev 497 (Helen Goodman MP)
- ¹⁷ Public Administration Select Committee, First Report of Session 2008-09, *Lobbying Access and influence in Whitehall*, HC 36-I, p 7 and p 58
- ¹⁸ Public Administration Select Committee, Eighth Special Report of Session 2008-09, *Lobbying: Access and influence in Whitehall: Government Response to the Committee's First Report of Session 2008-09* HC 1058

Chapter 12

Northern Ireland

Introduction

- 12.1 In a statement to the House of Commons on 21 April 2009, outlining the issues related to this inquiry, the Leader of the House specifically asked the Committee to look at:

“The effect on Northern Ireland Members of Parliament if there was a change to the expenses regime, particularly if an attendance allowance was introduced.”¹

- 12.2 The Committee is not recommending an attendance allowance. But there is one issue in relation to Northern Ireland MPs which we have considered – the availability of the full range of expenses to Sinn Féin MPs, despite the party’s policy of not taking up their seats at Westminster.
- 12.3 This chapter also considers the question of MPs who simultaneously sit in both Westminster and in the devolved legislatures. All but one of the MPs currently in this position represents Northern Ireland constituencies.

The position of Sinn Féin MPs

- 12.4 The policy of Sinn Féin is not to take up any seats to which its members are elected in the UK Parliament, on the basis that it does not recognise Westminster’s sovereignty over Northern Ireland:

“Our manifesto position is very clear, and that is that Sinn Féin members who are elected to the British Parliament will not take their seats in Westminster, and that has been over 100 years in standing as a policy.”²

- 12.5 The policy allows Sinn Féin MPs to represent the interests of their constituents in any way which does not require their participation in the proceedings of in the House of Commons, including making representations to ministers. Additionally, MPs who do not take their seats are not entitled to any salary.
- 12.6 Following the election of two Sinn Féin MPs at the 1997 general election, the then Speaker, Betty Boothroyd, ruled that:

“Those who chose not to take their seats should not have access to the many benefits and facilities that are now available in the House without also taking up their responsibilities as Members.”³

- 12.7 This ruling was challenged unsuccessfully in the courts.
- 12.8 A similar ruling was made by the then Speaker, Michael Martin, after the election of four Sinn Féin MPs at the 2001 election.
- 12.9 A few months later, however, on 18 December 2001, the House of Commons agreed a Government motion which allowed MPs who had chosen not to take their seats to use facilities within the precincts of the House of Commons, to use the departments of the House and to claim allowances. The change was widely believed to be related to the then ongoing discussions in the Northern Ireland peace process.

- 12.10 Views in Northern Ireland on the arrangement tend to be divided, with unionists being opposed:

*"The arrangement was introduced by the Government then engaged in a process of so-called 'confidence building'. It was wrong then and it is certainly wrong now given the transformed situation in Northern Ireland. The DUP believes that a Member either participates in the business of the House on his/her constituents' behalf or stands by abstentionist principles and forgoes any form of funding designed to assist in representational duties. An a la carte approach to Members' privileges and responsibilities will do nothing to restore public confidence in Parliament."*⁴

and republicans being in favour:

*"We are active insofar as we represent our constituents on a day to day basis on a vast array of matters. I think it is fair to say that, if you look at most of the public comment over the last several years, even our political opponents would often argue that Sinn Féin has an outstanding constituency service on behalf of those that we represent, and that is something we are very committed to continuing to deliver and proud to be able to have that record. So our abstentionism is very much one of being very active and we represent our constituents both here at home and indeed in London on a routine basis."*⁵

- 12.11 In practice, the expenses aspect of this issue is mainly about accommodation. Earlier this year, following the publication by the *Daily Telegraph* of details of expenses claims, Sinn Féin came under some public criticism for the fact that its (now) five MPs claimed over £100,000 in 2007-08 in total for accommodation in London, despite not needing to come to London to attend the House, though they do for constituency and other reasons. The party subsequently issued a statement that in future its MPs will use hotels when in London:

*"The leases on the two London properties used by Sinn Féin MPs have now expired. The party has taken a decision not to renew those leases and instead our MPs will use hotel accommodation when in London on constituency business. We have recently reviewed the issue of accommodation for Sinn Féin MPs in London in the context of best value for public money, security and the reduction in MPs' accommodation allowance as of May this year."*⁶

- 12.12 The decision to give Sinn Féin Members the right to claim for the full range of expenses without taking up their seats in Parliament was a political one, taken in the light of the particular circumstances of Northern Ireland. Removing it would also be a political decision. The Committee does not intend to express a view on whether it is right or wrong in principle.
- 12.13 However, value for money should be an important criterion for an MP of any party to use in considering what claims to make on public funds. It is difficult to believe that paying rent for permanent accommodation when the MP concerned is only an occasional visitor to London can reasonably be regarded as representing value for money, even when security considerations are taken into account.
- 12.14 The Committee therefore welcomes the Sinn Féin decision to claim only hotel expenses in future. We take the view that the new regulatory body should be prepared to question expenses claims relating to permanent accommodation in London by any MP where it is apparent that, for whatever reason, attendance at Westminster is relatively infrequent and that the use of hotels would be a more cost-effective use of public funds.

Recommendation 39

Any MP whose presence in London on business related to their parliamentary role is infrequent should stay in hotels rather than claim the cost of permanent accommodation in London.

Multiple mandates

- 12.15 Sixteen out of 18 MPs representing Northern Ireland constituencies are also members of the Northern Ireland Assembly (MLAs). Five of them currently hold ministerial positions there.
- 12.16 The only other current example of dual mandates in both Westminster and a devolved legislature is that the First Minister in the Scottish Parliament is also a Westminster MP. He has indicated that he will not be standing for election to Westminster at the next election. There are currently no Welsh MPs who are also AMs.
- 12.17 The Committee's understanding is that the devolved national legislatures do not have the power to prohibit any of their members also being members of the Westminster Parliament. The Westminster Parliament could, if it wished, resolve that none of its members could also sit in a devolved legislature. In recent times the European Parliament has banned any MEP from sitting in any national legislature.
- 12.18 The holding of multiple mandates, or 'double jobbing' as it is known in Northern Ireland, appears to be unusually ingrained in the political culture there because of:
- The legacy of 'the troubles', which discouraged many individuals from getting involved in politics, leaving it to a small minority to participate.
 - The recent history of political instability, which led the political parties to be fearful of giving up seats in Westminster in case the local devolution settlement collapsed, as it has more than once already.
- 12.19 The Committee expressed the view in Chapter 11 of this report that MPs should not be prohibited from earning income from limited activity outside the House of Commons, provided that the activity does not interfere with the primary role as an MP, is completely transparent to electors and does not present a conflict of interest.
- 12.20 We do not think these conditions are met in the case of multiple mandates. There is transparency – the issue has been widely aired in the Northern Ireland media. But the Committee questions whether it is possible to sit in two national legislatures simultaneously and do justice to both roles, particularly if the MP concerned holds a ministerial position in one of them.
- 12.21 All the Northern Ireland political parties with representatives at Westminster have told the Committee that they want to bring multiple mandates to an end. As yet, there is no agreement when this should happen. In evidence to the Committee, the leader of the Democratic Unionist Party (DUP) has, however, indicated that his party would be prepared to end the practice by 2015 (the date of the next but one Assembly elections):
- "I am convinced that it is not in the interest of Parliament, the Assembly, the dual mandate Members or their constituents that this practice is maintained longer than absolutely necessary. Each of the Assembly parties agreed that the practice should be phased out and some weeks ago I announced that the DUP would do so in two steps: the first at the next set of Westminster and Stormont elections; and the rest at the following set."*⁷
- 12.22 The Committee's view is that the practice of holding dual mandates in both the House of Commons and the devolved legislatures should be brought to an end as soon as possible. Ideally that would happen by the time of the scheduled elections to the three devolved legislatures in May 2011, or failing that by 2015 at the very latest.

Recommendation 40

The practice of permitting a Westminster MP simultaneously to sit in a devolved legislature should be brought to an end, ideally by the time of the elections to the three devolved legislatures scheduled for May 2011.

Other expenses issues in Northern Ireland

12.23 Some aspects of the current expenses regime of the Northern Ireland Assembly are inconsistent with practices in Westminster or the other devolved legislatures. There have already been independent reviews of the expenses regime in both the Scottish Parliament and the National Assembly of Wales, resulting in a number of significant changes. The Northern Ireland Assembly is currently undertaking an internal review of its expenses regime following a set of recommendations made by the SSRB in 2008. This report is due to be published in Autumn 2009.⁸

References

- ¹ HC Deb 21 April 2009 c11WS
- ² Alex Maskey MLA, Public Hearing, 1 July 2009, paragraph 247
- ³ HC Deb 14 May 1997 cc35-56
- ⁴ Ev 604 (Rt Hon Peter Robinson MLA MP)
- ⁵ Alex Maskey MLA, Public Hearing, 1 July 2009, paragraph 253
- ⁶ 'Sinn Fein MPs will not renew London flats lease', 12 August 2009, *Belfast Telegraph*
- ⁷ Ev 604 (Rt Hon Peter Robinson MLA MP)
- ⁸ Senior Salaries Review Body, *Northern Ireland Assembly: Review of Pay, Pensions and Allowances 2008*, November 2008

Chapter 13

Oversight, administration and enforcement

Introduction

- 13.1 The new rules for MPs' expenses cannot be divorced from the arrangements for their implementation. If the administrative system is not sound, it is unlikely that the expenses regime will work effectively, still less command public confidence.
- 13.2 The overwhelming view among those who submitted evidence was that decisions about the structure of the scheme for reimbursing expenses and the administration of the scheme should both be removed from Parliament and given to an independent body.
- 13.3 The Committee therefore welcomes the fact that a new independent regulator – the Independent Parliamentary Standards Authority (IPSA) – has been created to set the rules on MPs' expenses and to make the necessary payments. It is critically important that the new regime is in place for the beginning of the next Parliament.
- 13.4 But the Parliamentary Standards Act 2009, which established IPSA, was drafted and put through all its stages in Parliament in great haste, and was significantly amended during its passage. In the Committee's view it bears the scars. There are a number of areas relating to the new body's scope, powers and governance where significant improvements can be made.
- 13.5 This chapter, accordingly, makes recommendations about:
- *The scope of the new body.* In the Committee's view it should not be responsible for the register of financial interests and associated code of conduct, but it should be responsible for pay and pensions as well as expenses.
 - *The powers of the new body.* In the Committee's view it should be responsible for its own investigations and should be given a range of enforcement powers analogous to those possessed by HMRC and the Department for Work and Pensions (DWP).
 - *The governance arrangements of the new body.* In the Committee's view there are a number of steps which should be taken to reinforce its actual and perceived independence, and its accountability.
- 13.6 The Committee also makes a number of suggestions relating to the internal arrangements of the House of Commons.

Parliamentary privilege

- 13.7 A large part of the discussion during the passage of the legislation which established the new body focused on its implications, as originally drafted, for the issue of parliamentary privilege. Parliamentary privilege is an important element in the unwritten British constitution. It applies principally to proceedings in Parliament but also extends to the functions of MPs more widely (see Figure 5 overleaf).
- 13.8 The reason why parliamentary privilege figured so importantly in the debate, in Parliament and outside, is that there is a potential challenge to privilege in giving an external body authority over certain aspects

of the administration of the House. It was argued that this would, in particular, be the case if the body had powers or functions which might be subject to judicial review or other scrutiny by the courts, where what was said in the House itself might be used in evidence. That could be seen as limiting or impeding freedom of speech in Parliament.

Figure 5: Description of Parliamentary Privilege

There may be some confusion about the meaning of parliamentary privilege. A technical account of its derivation and implications is set out at the end of this chapter.

Privilege does NOT mean that MPs are 'privileged' in being, in their private lives, above the ordinary law of the land. They are, like the rest of us, required to abide by the law, to pay their taxes and to operate in other respects like any ordinary citizen.

Parliamentary privilege means rather that Members have the right to speak freely and that the laws of slander and libel do not directly apply to them in the House of Commons. This allows MPs, in the chamber and in committees, to raise issues and questions which they believe are in the interests of the country and of their constituents, without fear of prosecution.

Parliamentary privilege means MPs are free to regulate their own conduct in the House without interference from outside bodies, in particular the courts. This includes the right to discipline their own Members.

Most democratic legislatures operate some form of privilege in relation to their representatives, often on the model developed at Westminster.

- 13.9 The Committee has taken steps to satisfy itself that none of the recommendations in this chapter raises privilege issues. It has been assured by expert witnesses that privilege is unlikely to be infringed by provisions to do with the claiming and paying of expenses:

*"I think IPSA or some such body that is in charge of putting together and administering an expense scheme, a statutory body, does not trespass on parliamentary privilege at all."*¹

The Act

- 13.10 The Parliamentary Standards Act provides for the establishment of an independent body charged with drawing-up and maintaining the expenses regime for MPs, and with its administration and enforcement. Parliament has therefore surrendered its previous ability to decide what expenses should be reimbursed to MPs, and in what amounts. In addition, those administering the scheme will no longer be subject to the authority of the House or any of its officers.
- 13.11 In this respect the House of Commons has gone further than either the Scottish Parliament or the National Assembly for Wales. Both those legislatures have taken the view that a combination of transparency, positive leadership from presiding officers, adequate powers for accounting officers, and proper systems of audit and assurance provide sufficient safeguards for the integrity of the system. The difference is that neither the Scottish Parliament nor the National Assembly for Wales has suffered a crisis of trust remotely comparable to that which has affected Westminster.
- 13.12 The Act also provides for the following:
- It gives the independent regulator responsibility for maintaining the register of financial interests and for an accompanying statutory code of conduct on financial interests, which will operate alongside the House's existing non-statutory code of conduct on other issues.
 - It creates a new Commissioner for Parliamentary Investigations who will investigate breaches of the code of conduct relating to financial interests or instances of alleged wrongly paid or misclaimed expenses.

- 13.13 The Commissioner for Parliamentary Investigations will be able to conduct an investigation on his or her own initiative, at the request of an MP or in response to a complaint from an individual. He or she would not, however, be able to do so at the suggestion of the new independent regulator (as had been provided for in the original Bill). The Commissioner for Parliamentary Investigations will report any findings to the Standards and Privileges Committee, except where the rectification procedure² has been followed or where a criminal offence appears to have been committed. But he or she would make no recommendation as to an appropriate sanction.

The remit of the independent regulator

- 13.14 It is important not to lose sight of the fact that the new body is not just there as a control mechanism for expenses, but also to ensure that MPs are properly supported to do their jobs. In the Committee's view it would be helpful if this central responsibility was made explicit in the legislation.

Recommendation 41

The independent regulator should have a statutory duty to support MPs efficiently, cost-effectively and transparently in carrying out their parliamentary functions.

The new body's responsibilities for financial interests

- 13.15 The Committee understands why the political parties wished to be seen to act decisively in the context of public reaction to the *Daily Telegraph's* disclosures, and why they therefore gave the new body responsibility for financial interests, a standards issue, as well as for expenses. But no persuasive reason has been advanced for hiving off these standards issues whilst leaving the rest with the House.

- 13.16 The rationale for the new body's dual remit was questioned by several witnesses during the Committee's public hearings:

*"As far as I know, the problem has been to do with expenses, and I have not really noticed much of a problem to do with registration of interests or breaking the internal parliamentary rules about paid advocacy. I just think that is overkill. I do not see why it has gone in there."*³

- 13.17 The result has been to create a hybrid body which is unsatisfactory for several reasons:

- The additional responsibility for financial interests risks distracting the new body from its core function of operating the new expenses scheme.
- MPs would be required to abide by two separate codes of conduct, one statutory and the other non-statutory.
- The creation of a new Commissioner for Parliamentary Investigations, separate from the existing Parliamentary Commissioner for Standards, risks a blurring of their respective responsibilities and difficulty in maintaining demarcation lines.

- 13.18 No doubt pragmatic ways could be found to work round some of these difficulties. The Committee has been told, for example, that it is envisaged that one person could simultaneously fill the roles of both Commissioners. But a body with this degree of confusion at its heart runs unnecessary risks of being dysfunctional.

- 13.19 Moreover, there are two more fundamental reasons for rethinking the remit of the independent body. The first is that the issue of parliamentary privilege could still arise if responsibility for financial interests, a standards issue, is taken from the House and vested in an outside body. The code of conduct on financial interests relates to how MPs behave as Members of the House, including whether they have financial or other interests which might affect their judgments or conduct as legislators or in holding the Executive to account. This is potentially a privilege issue.

- 13.20 The determination and payment of expenses, on the other hand, are in a different category. They do not bear on how individual Members operate in the House in their role as MPs. They are common to all

Members and do not have any direct influence on their judgments or behaviour as legislators or in holding the Executive to account. They are practical matters best determined and operated by an independent body which is demonstrably not self-serving.

13.21 We heard much support for upholding this distinction from academics and constitutional lawyers.

*"I think IPSA [...] does not trespass on parliamentary privilege at all. I think the other issues like the code of conduct in relation to financial interests does trespass [...] on parliamentary privilege. I think that could be just separated off."*¹⁸

*"I think we want something as simple as possible that does not give rise to some of these problems with respect to parliamentary privilege."*⁵

*"There is a difference between what might be called 'interests' and what might be called 'resourcing', and the two have got really mixed up [in the Bill]."*⁶

13.22 The second fundamental reason for limiting the independent body's remit here is that it is vital that the House buys into the standards of conduct and behaviour it considers acceptable in relation to financial and other standards issues. Such behaviour is a key part of the culture of the House, and cannot effectively just be imposed from outside.

*"Culture is crucial. It is precisely for that reason that [...] I would worry a little bit if the Committee's recommendations focused on procedure, personnel, rules and so on and did not lay enormous emphasis on the need for people to stop behaving in ways that they should not behave."*⁷

*"Parliament's current responsibility for setting the expenses arrangements of its own Members [...] is entirely inappropriate and can no longer stand. The Bill will do that by setting up this new authority, but one must not so emasculate Parliament in the process that you remove from Members a sense of personal responsibility for policing their own arrangements."*⁸

13.23 To be robust and effective, standards and values have to be developed from within. What is now required is leadership from the top, reinforcing for MPs an ethos of public service and a culture of personal responsibility for their own behaviour. At this juncture, the House needs to regain not only public credibility but its own self-respect. Taking responsibility for its own code of conduct on financial interests, and enforcing it robustly, would be an important step in that direction.

13.24 Returning responsibility for the register and code of conduct on financial interests to the House of Commons may seem counter-intuitive in view of the failure, under self-regulation, of the House to police the expenses scheme properly. But since the power of sanction in relation to matters related to the code of conduct on financial interests remains largely in the hands of the House of Commons, the form of external regulation proposed in the Act is a chimera and offers a misleading sense of reassurance.

13.25 For all these reasons, the Committee believes that responsibility for the register of financial interests and the code of conduct should be returned to the House of Commons.

13.26 The Committee recognises that if that is to happen the independence and effectiveness of the House's internal regulatory arrangements need to be strengthened. We make a number of suggestions about that later in this chapter.

Recommendation 42

Responsibility for maintaining the register of financial interests and the associated code of conduct should be removed from the independent regulator and returned to the House of Commons.

Pay and pensions

- 13.27** The Parliamentary Standards Act gives the new body responsibility for paying MPs' salaries in accordance with the relevant Resolutions of the House.⁹ Fixing the *level* of salaries, however, falls outside its terms of reference. The implication is that pay levels will continue to be a matter for the SSRB. Pensions are separately dealt with again, and are currently the subject of a further SSRB review.
- 13.28** The importance of taking MPs' pay – like expenses – out of the political arena was highlighted by a number of witnesses:
- “My own sense is that it is absolutely essential that the determination of MPs' salaries should be de-politicised so that MPs are not vulnerable to the Government saying to them ‘Now is not the right year’.”*¹⁰
- “One [fundamental and unresolved problem] is the issue of MPs' salaries and the failure of successive governments to remunerate MPs at an adequate level and the consequent blurring of the line between pay on the one hand and allowances on the other.”*¹¹
- 13.29** At present the de-politicisation of pay rests on a Resolution of the House of Commons of 3 July 2008 which requires the SSRB to undertake a fundamental review of MPs' salaries once every Parliament. Under the terms of this resolution SSRB recommendations are implemented automatically. Annual adjustments between reviews, currently based on a formula linked to a basket of public sector pay comparators, are similarly put into effect without the need for a separate decision by the House.
- 13.30** It seems anomalous that the independence of the regime for setting expenses should be entrenched by an Act of Parliament, which would require primary legislation to change it, while the independence of the arrangements for setting pay depends on a simple resolution of the House, which could be overturned relatively easily by a second resolution.
- 13.31** If the mistakes of the past are not to be repeated, MPs need also to be defended against governments deciding for political reasons to impose a *lower* settlement than that independently recommended. The Committee's view is therefore that steps should be taken to entrench the independent determination of MPs' pay in primary legislation, and to do the same with pensions, which are a form of deferred pay.
- 13.32** This entrenchment could either be done by giving statutory backing to the SSRB or by conferring on the new independent regulator statutory responsibility in addition to expenses for:
- Determining and periodically reviewing (as well as actually paying) the salaries of MPs.
 - Setting the terms and overseeing the administration of parliamentary pensions.
- 13.33** The argument for giving the responsibility to the SSRB is that they currently have the relevant expertise. The argument for giving it to the new independent regulator is that the complete remuneration package of MPs – pay, pensions and expenses – would then be handled in the same place. This would guard against the tendency shown in the past for expenses to be considered as surrogate pay. There is little point in having two independent bodies concerned with related remuneration issues when one would serve.
- 13.34** The Committee's view is, therefore, that the responsibility should be given to the new body.
- 13.35** In assuming these functions, the independent regulator may decide, as a matter of practicality, to contract out the day to day running of the parliamentary pensions scheme to the existing professional administrators. It will also have to decide where it obtains advice and information on, for example, trends in public sector pay, pensions and expenses and appropriate comparators. It has the options of relying on established independent outside sources such as the SSRB, seeking to develop appropriate in-house expertise or some combination of both.

Recommendation 43

The independent determination of MPs' pay and pensions should be entrenched in primary legislation in the same way as expenses. The independent regulator should therefore be given statutory responsibility for setting MPs' pay levels and overseeing MPs' pensions as well as for dealing with expenses.

Investigation

- 13.36** Once responsibility for the register of financial interests and its accompanying code is repatriated to the House of Commons, the scope of any investigatory procedure associated with the new body would be correspondingly reduced and more sharply focused.
- 13.37** The Committee therefore questions whether it is necessary to establish the full panoply of a separate Commissioner for Parliamentary Investigations with all the resulting potential for confusion and duplication of roles with the Parliamentary Commissioner for Standards. Having two Commissioners, one statutory, the other not, with overlapping responsibilities, even if only at the margins, is a recipe for inefficiency and confusion. Furthermore, our proposal at Recommendation 42 would remove from the independent regulator's jurisdiction any matters bearing on the proceedings of the House. There is, therefore, no need for investigations relating to the new body's remaining functions to be conducted by an officer appointed by the House to avoid issues of privilege.
- 13.38** The Committee takes the view that the Commissioner for Parliamentary Investigations should be abolished and replaced by the creation within the independent regulator of a compliance officer tasked with policing the expenses system, advising MPs on claims and promoting best practice. Since the compliance officer would operate from within the independent regulator, and needs to be demonstrably independent of the House of Commons, it would be appropriate if he/she were appointed by the independent regulator, rather than through the Speaker's Committee, as laid down in the Act.
- 13.39** The current Parliamentary Commissioner for Standards argued against this suggestion, on the grounds that the investigating officer will need to take into account the clarity of the rules and the interpretation placed on them by the new body as well as the behaviour of Members:

*"From my own experience of investigating these things, I know that quite often one is investigating not just what the Member has done; one is investigating the clarity of the rule and one is investigating the way people within the organisation have administered that rule and interpreted that rule. There have been occasions where I have felt it right to criticise the way that has been done. I feel I could only do that if I was independent. I would not want to feel IPSA was able to say, "Well, we are not going to take any action on that. We are going to strike that out". Therefore, I think it was really, really important that the Commissioner should be independent and I would say wholly independent of IPSA."*¹²

- 13.40** The Committee understands this argument. But it also notes that similar compliance roles appear to operate satisfactorily within, for example, HMRC (including, where appropriate, in relation to the tax affairs of MPs), and a range of other public sector bodies such as the Financial Services Authority, which both sets the rules for the financial services industry and enforces them.

Recommendation 44

Responsibility for investigating allegations about breaches of the rules on expenses should be vested in the independent regulator, which should be able to appoint its own compliance officer for this purpose. The compliance officer should be able to conduct an investigation on his or her own initiative, at the request of the independent regulator, or in response to a complaint from a member of the public or an MP.

Enforcement powers

- 13.41** If it is to carry out its functions effectively, it is essential that the independent regulator is given sufficient powers. It needs to be able to respond flexibly and robustly to a range of situations of differing degrees of seriousness including, a lack of cooperation from MPs, ensuring that wrongly claimed amounts are repaid, dealing with breaches of the expenses regime where repayment alone is not sufficient but where evidence of a criminal offence is not strong enough for a prosecution, and taking appropriate action in those cases where criminality is suspected.
- 13.42** In the Committee's view the Parliamentary Standards Act falls short of this requirement in a number of ways.
- 13.43** Under the Act, the new body has no power to require an MP either to repay an overpaid or wrongly claimed sum or to provide it with relevant information it has reasonably requested – though it does have the power to insist that claims are supported by documentary evidence.¹³ Powers to this effect were included in the original Bill, but they were later removed in response to concerns about possible infringements of parliamentary privilege. Instead, the independent regulator must make a report of its findings in cases of non-cooperation to the House's Standards and Privileges Committee. This places it in the highly invidious position of relying for its ability to exercise its basic administrative functions on the very institution from which it is meant to be independent. It also puts the independent regulator at odds with other organisations charged with paying out (or taking in) public money, such as the DWP and HMRC. Both have powers without recourse to any other body to demand information and require repayment, backed by a range of statutory sanctions.¹⁴ The Committee's understanding is that, in principle, these powers apply to MPs in their capacity as taxpayers or benefit claimants in the same way as to anyone else. There is no obvious reason why MPs should be in any different position when they claim expenses.
- 13.44** Some unease was expressed during the passage of the Bill at the prospect of an unelected body exercising what might seem to be disciplinary powers over MPs. As things now stand, these concerns are, in the Committee's view, unfounded. Repayment is simply a matter of restitution.
- 13.45** The Committee is firmly of the view that the independent regulator should have explicit powers to require repayment of overpaid or wrongly claimed expenses and to demand relevant information from MPs. Any failure on the part of an MP, without reasonable excuse, to comply with those duties to cooperate should, consistent with the procedural safeguards laid out in the Act, be subject to an appropriate range of sanctions to be imposed by the independent regulator, along the lines of those available to HMRC and DWP. We are satisfied that no issue of privilege arises here as claiming expenses is not a proceeding of Parliament. In deciding whether or not sanctions were justified in a particular expenses-related case the independent regulator would not have to rely on evidence of what an MP had said or done in the House or any of its committees.
- 13.46** If the independent regulator believes that a case in which it has imposed a sanction on an MP also raises parliamentary standards issues, it should make a public report to that effect. It would then be up to the Commissioner for Standards to investigate the case and, if applicable, it would be up to the Standards and Privileges Committee to decide whether a *parliamentary* sanction (e.g. suspension from the House) was appropriate.

Recommendation 45

The independent regulator's enforcement regime should be strengthened by giving it the power to:

- Compel MPs to cooperate with the new body, including through the provision of relevant information.
- Require the repayment of wrongly paid or misclaimed sums, with associated costs if appropriate.
- Impose, subject to the procedural safeguards laid out in the Act, its own non-parliamentary sanctions for breaches of the expenses regime (including where necessary of a financial nature) analogous to those available to HMRC and DWP, without the need to report to the Commissioner for Parliamentary Standards.

- 13.47 The cumulative effect of our recommendations is that, where there is *prima facie* evidence of a wrongly approved or misclaimed expenses payment, the independent regulator would have the following options:
- To decide that no breach of the expenses regime has occurred.
 - To decide that, although a payment has been wrongly approved and claimed, it is sufficient for the MP concerned to make a repayment.
 - To invoke one of the range of sanctions available to the independent regulator.
 - To make a public report, at its discretion, in a case where it has applied a sanction to an MP but where it considers that a breach of parliamentary rules or the code of conduct might have occurred.
 - To refer the matter to the police on the grounds that a criminal offence of making a false or misleading statement in support of an expenses claim may have been committed.

Governance arrangements

- 13.48 The Committee has a number of concerns about the independent regulator's governance arrangements, and the extent to which they adequately protect its independence and effectiveness. These concerns centre on the method of appointment of members of the new body, the terms of their appointment, the funding of the body and its accountability.

Appointments

Method of appointment

- 13.49 Under the Act the members of the new body (the equivalent of the board of directors) are Crown appointees. Appointments are approved by the House of Commons following selection by the Speaker on the basis of fair and open competition and with the agreement of the Speaker's Committee.¹⁵
- 13.50 There are obvious public perception issues in an independent body being appointed by those it is supposed to be regulating.
- 13.51 The reason for setting up the arrangements in this way is the difficulty of devising an alternative method of appointment which still respects parliamentary sovereignty. The Committee understands that in practice the first appointments will be made in the same way as that adopted for the recent appointment of the chair of the Electoral Commission, also a Crown appointment made on the basis of a recommendation from the House of Commons. In that case a firm of headhunters was engaged and an independent panel appointed under the chairmanship of an ex-Commissioner of Public Appointments. The panel recommended a single candidate to the Speaker to go forward to the statutory stages. Formally speaking, the post did not fall within the category of those which need to be monitored by the Office of the Commissioner for Public Appointments (OCPA). But the Speaker and the Speaker's Committee agreed that the appointment should be treated as if it did, including having an independent assessor on the panel to ensure that the process was in accordance with the Code for Public Appointments.¹⁶
- 13.52 The Committee is reassured by these arrangements. But in our view public confidence in the integrity of the process would be much strengthened if the involvement of an independent panel, following the Commissioner for Public Appointments' Code of Practice, was formalised.

Recommendation 46

The appointments of the chair and members of the regulatory body should be carried out with the involvement of an independent panel, following the Commissioner for Public Appointments Code of Practice, to advise the Speaker's Committee.

Terms of appointment

- 13.53 Under Schedule 1 of the Act, the chair and other members of the new body are appointed initially for a fixed term not exceeding five years, with the possibility of being reappointed once for a further period of up to three years.

- 13.54 The Committee is concerned about the implications of the possibility of reappointment for the real or perceived independence of those appointed. It is important that the judgment and decisions of the chair and members of the new body are not coloured by any desire for re-appointment, and that any perception of regulatory capture is avoided.
- 13.55 We therefore have a strong preference for single non-renewable terms for members of the new body, especially the chair. Single non-renewable terms are increasingly the norm for ethical regulators. They apply, for example, to the chairs of the Committee on Standards in Public Life and of the Electoral Commission.
- 13.56 The Committee understands that the possibility of second terms was created so as to make it possible to stagger subsequent appointments and preserve some continuity in membership, rather than having to change all the membership at the same time. Some flexibility in applying the principle of no reappointment may therefore be necessary in relation to the first round of appointments.

Recommendation 47

The chair of the new regulatory body should be appointed for a single, non-renewable five year term. The other members of the new body should in principle be appointed on the same basis. But, some flexibility may need to be shown in relation to those appointed in the first round.

Funding

- 13.57 The independence of an organisation can be undermined by limiting its funding. The former Parliamentary Commissioner for Standards, Elizabeth Filkin, in her open letter of resignation indicated the difficulties she encountered when the House authorities refused to grant her the additional resources she had requested to enable her to carry out her duties.¹⁷
- 13.58 The Parliamentary Standards Act provides for the independent regulator's budget, in the form of an annual Estimate, to be channelled through the Speaker's Committee which, after consulting the Treasury, lays the Estimate before the House. If the Committee modifies the Estimate or disregards any advice from the Treasury, it must publish a statement of its reasons for so doing.¹⁸ These arrangements place the new body in the highly unusual position of being dependent for its funding on the very organisation whose financial affairs it is charged with regulating. It would certainly be preferable if this were not the case. But the Committee accepts that since Parliament is, by one route or another, the ultimate source of authority for all public expenditure, no viable arrangement is available which entirely avoids this conflict of interest. It would certainly not be desirable, for example, to give control over the independent regulator's budget to the Executive.
- 13.59 In practice it is unlikely that the House of Commons would seek to interfere with the budget of the independent regulator. If that did happen, the requirement of transparency in the Parliamentary Standards Act should ensure that any such unwarranted interference became public. The Committee nevertheless believes that, in an area where perception matters as much as reality, an additional safeguard is needed. We therefore propose that the new Speaker's Committee should include in its membership three people drawn from outside Parliament who have not previously been MPs or peers. They should be chosen through the official public appointments process and formally approved by the House.
- 13.60 This proposal would be beneficial in that it would:
- Bring an external view to the deliberations of a body which would otherwise be entirely Westminster-focused. It would also allay some of the public's concerns that the Speaker's Committee may be too inward-looking and in the pocket of vested interests.
 - Reflect the growing practice in self-regulatory bodies such as the General Medical Council and the General Council of the Bar, which have accepted lay membership not only as a way of mitigating charges of being *parti pris*, but also of widening their horizon, increasing their experience base and strengthening their legitimacy with the public. There is no reason why similar principles should not apply to the new Speaker's Committee.
 - Promote greater transparency and independence in the Speaker's Committee's operations.

- 13.61 Introducing an element of non-political membership into a committee of the House is not a revolutionary idea. This Committee has canvassed the possibility before and it already exists in the case of the Members Estimate Audit Committee.

Recommendation 48

The Speaker's Committee on the independent regulator should include three lay members drawn from outside Parliament who have not previously been MPs or peers. They should be chosen through the official public appointments process and formally approved by the House.

Accountability

- 13.62 Under the Parliamentary Standards Act the independent regulator is required to produce an annual report on its activities, which is laid before Parliament. The Committee favours two measures which would further enhance accountability.
- 13.63 First, a specific duty should be placed on the new body to be as transparent as possible, consistent with data protection requirements, in its dealings with MPs and in reporting on its disbursement of public money. Individual electors must be able to ascertain the expenses claims of their own (or any other) MP, through the publication of receipts and related information.
- 13.64 Second, a requirement should be laid on the new body to engage directly with the public in ways which might include open meetings and opinion surveys.

Recommendation 49

The independent regulator should be placed under a general duty to act openly and transparently, to give reasons for any revisions to the expenses scheme, and to report, and take account of, the views of the general public as well as the House of Commons.

The disciplinary system in the House of Commons

- 13.65 Part of the reasoning behind the original decision to include certain standards matters, notably oversight of MPs' financial interests, in the new body's remit was a recognition that the existing arrangements for disciplining Members did not command full public confidence. If therefore, for wider reasons of parliamentary privilege, the disciplinary system for MPs has to remain a matter of self-regulation, it ought to be strengthened. The Committee has two proposals to help do this.
- 13.66 First, it would be sensible to increase the powers of the Parliamentary Commissioner for Standards by allowing him or her to conduct investigations proactively without waiting for a formal complaint, and by enabling him or her to include in any report to the Standards and Privileges Committee an indication of the seriousness of any breaches of the Code of Conduct as a guide to what might be an appropriate sanction. These reports should continue to be published.
- 13.67 Second, there is also, we believe, a strong case for introducing a non-parliamentary element into the membership of the Standards and Privileges Committee as one step towards enhancing public acceptance of the robustness and independence of the disciplinary process. The then Chairman of the Committee, Rt Hon Sir George Young MP, told the Committee:

*"In my evidence I said that we would be very happy to consider having outside members sitting on the Standards and Privileges Committee, not least to allay the concerns that you mentioned earlier, [...] about how we might recalibrate our disposals to conform with public expectations. So that is something which my Committee is prepared to put on the table, having outside members sitting on our Committee, particularly to assist us in coming to judgments where people may feel at the moment we are possibly too lenient."*¹⁹

Recommendation 50

The Parliamentary Commissioner for Standards should be able to conduct investigations without waiting for a formal complaint and should include in any report to the Standards and Privileges Committee an indication of the seriousness of any breaches in the rules or code of conduct which have occurred. The Commissioner's reports should continue to be published.

Recommendation 51

There should be at least two lay members who have never been Parliamentarians on the Standards and Privileges Committee. Their appointment should be made in the same way as that of the lay members of the Speaker's Committee of the independent regulator.

Voting rights for external members

- 13.68 If the proposed external members of the Standards and Privileges Committee and of the Speaker's committee on the independent regulator are to carry credibility they need to have full voting rights. Otherwise their role will be little different to that of an adviser. By exercising their voting rights the lay members will be able to register any dissent from a decision taken by the committee through the published minutes of proceedings. In a note to this Committee, the Clerk of the House told us that it was not clear to him that external members' "*participation in decision making by voting is in fact covered by parliamentary privilege*". This Committee understands the point the Clerk of the House is making, but believes that it should be possible to put the matter beyond doubt in a way that meets his concerns by an appropriate amendment to the Parliamentary Standards Act.

Recommendation 52

The external members of both the Standards and Privileges Committee and the Speaker's Committee of the independent regulator should have full voting rights. If the House authorities are of the opinion that clarifying the question of parliamentary privilege in that regard requires an amendment to the Parliamentary Standards Act, the Government should facilitate this.

The internal arrangements of the House of Commons for dealing with MPs' pay, pensions and expenses

- 13.69 Over recent years, a number of different committees and advisory panels have grown up in the House of Commons with separate, and sometimes overlapping, functions in relation to MPs' pay, pensions and expenses. The complexity of the arrangements may have contributed to the lack of proper supervision and control over the expenses and allowances regime which led to the recent crisis of public confidence. We understand that the House authorities are currently undertaking a review of these arrangements.

Sunset provisions

- 13.70 Under section 15 of the Parliamentary Standards Act the independent regulator's investigation and enforcement powers will lapse after two years unless they are renewed by a resolution of both Houses of Parliament. These sunset provisions were included in the Act primarily in order to reassure MPs who were concerned about the role of the Commissioner for Parliamentary Investigations. That concern no longer applies in the light of the Committee's recommendation for the abolition of the post. While it would be proper to review the new enforcement arrangements in due course, they should not be subject to the uncertainty implicit in a pre-determined expiry date.

Recommendation 53

The sunset provisions in the Parliamentary Standards Act 2009 should be repealed.

The name of the independent regulator

- 13.71 Once the new body has been divested of its functions in relation to MPs' financial interests and given overall responsibility for pay and pensions, it will be inappropriate for it to retain the title of Independent Parliamentary *Standards* Authority. Any new title will need more accurately to reflect its core function of determining and making payments to MPs to support their parliamentary activities.

Timing

- 13.72 This chapter has recommended that the independent regulator's remit should be changed by taking away responsibility for the register and code of financial interests and adding responsibility for pay and pensions, that it should be given additional powers in the area of enforcement and be able to appoint its own compliance officer, that its chair and members should be appointed under OCPA rules and for non-renewable terms, and that it should be given a general duty to operate transparently. Some of these changes will require further primary legislation. Ideally that would happen before the independent regulator begins to operate. If the will is there, the Committee sees no insurmountable reason why that should prevent the new body being ready to operate by the time of the next Parliament.

References

- ¹ Professor Dawn Oliver, Public Hearing, 13 July 2009, paragraph 340
- ² The rectification process applies where mistakes have been made in making expenses claims and where the sum in question is paid back by the MP.
- ³ Professor Dawn Oliver, Public Hearing, 13 July 2009, paragraph 342
- ⁴ *Ibid*, paragraph 340
- ⁵ Professor Patricia Leopold, Public Hearing, 13 July 2009, paragraph 383
- ⁶ Barry Winetrobe, Public Hearing, 13 July 2009, paragraph 299
- ⁷ Professor Anthony King, Public Hearing, 16 June 2009, paragraph 30
- ⁸ Sir Philip Mawer, Public Hearing, 29 June 2009, paragraph 42
- ⁹ Section 4 of the Parliamentary Standards Act 2009 (c.13)
- ¹⁰ Professor Dawn Oliver, Public Hearing, 13 July 2009, paragraph 449
- ¹¹ Sir Philip Mawer, Public Hearing, 29 June 2009, paragraph 5
- ¹² John Lyon, Public Hearing, 16 July 2009, paragraph 408
- ¹³ Section 6(6) (b) of the Parliamentary Standards Act which refers to provision about deducting from payments for allowances amounts that a Member is to repay does not in the Committee's view spell this out with sufficient clarity
- ¹⁴ HMRC has the power, in cases of refusal to provide information, to impose a financial penalty. Where a taxpayer refuses to pay an amount of tax HMRC can also impose a financial penalty. Failure to pay can be pursued through the courts and lead, ultimately, to insolvency proceedings. The DWP's principal sanction against a claimant's failure to provide relevant information is to disallow the claim. Overpayments can be recovered either by offsetting them against other benefits or through the civil debt process. Where an overpayment has resulted from a claimant giving false information (or withholding relevant information) sanctions can include a criminal prosecution or an administrative penalty (repayment of the overpaid amount, plus 30% of that sum). For fuller details of the sanctions available to HMRC and the DWP, see the CD Rom accompanying this report.
- ¹⁵ Parliamentary Standards Act 2009 (c.13) Schedule 1, paragraph 2
- ¹⁶ The Commissioner For Public Appointments' Code of Practice for Ministerial Appointments to Public Bodies (August 2009). Strictly speaking, the OCPA code allows for the submission to the appointing authority of more than one name. The Committee is clear that in this case there should always only be one recommended candidate
- ¹⁷ Elizabeth Filkin, Open Resignation Letter, 28 November 2001
- ¹⁸ Rt Hon Sir George Young MP, Public Hearing, 29 June 2009, paragraph 135
- ¹⁹ Parliamentary Standards Act (C.13) Schedule 1, paragraph 22

NOTE ON PARLIAMENTARY PRIVILEGE

Parliamentary privilege, from the Latin for 'private law', consists of the combination of rights, powers and immunities which underpin the abilities of both Houses to function effectively and free from external interference. Its origins lie in the historic function of Parliament as a place ('the High Court of Parliament') for the hearing of petitions for the redress of grievances. Privilege attaches to the institution of Parliament as a whole, but is enjoyed by individual MPs in the course of their day-to-day duties.

Although its scope is not defined in statute, privilege nevertheless operates within certain clearly understood boundaries. It applies principally to 'proceedings in Parliament', that is to say in the tabling and answering of parliamentary questions, during the process of considering Bills, in debates, in the tabling of motions, and in the formal work of select committees. In this context its most important manifestation is the absolute freedom of speech conferred on MPs by the Bill of Rights of 1689. This means that words spoken as part of proceedings by MPs or select committee witnesses cannot be used against them, or any one else, in civil or criminal cases. More generally, privilege protects the ability of MPs to go about their parliamentary business, including their dealings with Ministers and constituents, without harassment, obstruction or intimidation. Each House is entitled to determine for itself what constitutes a breach of its privileges, and, if necessary, to punish offenders. The most obvious source of potential friction with parliamentary privilege is judicial intervention. In practice, however, both Parliament and the courts take great pains to respect the right of the other to control their own internal affairs.

Chapter 14

Assurance and transparency

Introduction

- 14.1 The revelations about MPs' expenses suggest serious deficiencies in the audit and assurance arrangements in the House of Commons. They point to a systemic failure to ensure compliance with the standards usually applied to the use of public money. The recommendations in this chapter aim to address this shortcoming. They are designed to place the administration and audit arrangements for MPs' expenses on a similar footing to those in operation in most other large organisations in the private and public sectors, and to reassure the public that their money is being spent responsibly and effectively.

Why is assurance necessary?

- 14.2 It is standard practice in both the public and private sectors to have arrangements in place to ensure that policies and controls on expenditure are rigorously and consistently applied. This is an integral part of good governance.
- 14.3 The recommendations in this report should have the effect of reducing the number of claims being processed. But it will still be necessary to have a good assurance system which will:
- Confirm compliance with the systems, processes and standards.
 - Ensure that breaches of control are identified and rectified promptly.
 - Assure the public that the expenses system is being used as intended.
- 14.4 In most organisations the assurance arrangements are unobtrusive. They fit seamlessly into normal management practice and are accepted as being part of the way modern professional businesses operate. The Committee would expect the new assurance arrangements recommended in this chapter to operate in a similar way over time, and to focus less on rectifying wrongs and more on identifying and promoting good practice. The Committee is confident that these recommendations, if properly implemented, will soon become part of business as usual without being unduly burdensome.

Developments in assurance and audit of MPs' expenses

- 14.5 Historically, there have been significant deficiencies in the assurance arrangements for MPs' expenses. The rules have not been clear, management oversight appears to have been weak, there was a culture which appeared to tolerate non-compliance with the rules, and the scope of the external audit was limited.
- 14.6 As early as 2004, some five years before the public exposure of deficiencies in the system, the two external members of the Members Estimate Audit Committee drew attention to:

*"The reputational risks to the House of not having a clear and defensible system for ensuring proper accountability for the public money expended on MPs."*¹

- 14.7 It is regrettable that steps were not taken at the time to address these concerns. Last year the Information Tribunal commented that:

"The laxity of and lack of clarity in the rules for ACA [the name then given to claims relating to accommodation] is redolent of a culture very different from that which exists in the commercial sphere or in most other public sector organisations today." ²

14.8 Nick Harvey MP, a member of the Members Estimate Committee, told us:

"It is worth appreciating that our committee, and I think even senior officers of the House, had no holistic or comprehensive knowledge of what lay lurking in the files that we kept [...] Basically claims were being processed individually but a broader strategic look at the pattern of claims was not taking place." ³

14.9 Weaknesses of this kind would ordinarily be revealed through external audit. However, the external audit of MPs' expenses claims was limited in scope. It had been confined to ensuring that expenses were paid in accordance with MPs' claims. In 2008, in a submission to the Members Estimate Committee, the then Comptroller and Auditor General recommended the introduction of 'full scope' external audit as one of the steps necessary to improve the assurance arrangements:

"Our advice, therefore, would be to expand the scope of the external audit. An expansion of the scope of the external audit of the House of Commons Members Estimate Resource account would put the audit on a basis that is consistent with the audit that is applied by the Comptroller and Auditor General to other bodies in receipt of public funds. This would mean that the public and the House had the same assurance as they receive for those other bodies." ⁴

14.10 The proposal to introduce a full scope external audit was initially rejected by the House of Commons in July 2008. In January 2009, however, the House agreed to such a move. The first 'full scope' audit is due to be carried out for the financial year to 31 March 2010. We welcome this change.

A new assurance framework

Individual responsibility of MPs

14.11 In Chapter 3 of this Report we set out the principles the Committee believes must underpin the new scheme of MPs' expenses and allowances. One of those principles sets out the responsibility of individual MPs to ensure that claims submitted are in accordance with the new scheme. The new administration and assurance framework should reflect this requirement by making it clear that MPs are expected to:

- Commit to both the letter and the spirit of the rules.
- Provide all reasonable information and explanations required by the independent regulator, the House authorities or by internal or external auditors.
- Report without delay any known or suspected breaches.

14.12 While some MPs may delegate the administrative work involved in making claims to their staff, this does not absolve them of responsibility. MPs should review the culture and organisational arrangements in their own offices to ensure that all staff are fully aware of, and trained in, the requirements, including the expectation that members of staff should at all times act in complete compliance with the spirit and letter of the rules. Individual MPs should also be expected to sign an annual compliance statement confirming that all claims made during the year comply with the rules, that they have effective arrangements in their offices for compliance and that any breaches of the rules have been reported to the administering authority. To assist with this, MPs should be provided with a single monthly statement which summarises the claims made under each category of expenditure.

Recommendation 54

At the end of each financial year MPs should be required to complete an annual compliance statement certifying that all claims made during the financial year complied with the principles and rules of the new scheme, and that any actual or suspected breaches have been reported.

Guidelines and forms

14.13 KPMG provided evidence to the Committee on the practices commonly adopted in the public and private sectors to promote understanding of expenses policies. They include:

- An expenses policy which is clear and easy to understand.
- Simple claim forms – usually with guidance on how to complete them.
- A helpline, usually to a finance department, to advise on completion of the claim form.⁵

14.14 The Committee would expect the independent regulator to take clear steps to communicate details of the new scheme to individual MPs. It is important to the integrity of the system that MPs understand the new rules.

14.15 The *Jones Review* has recommended mandatory induction training for AMs. The Committee was also told that the Scottish Parliament puts:

*“Quite a lot of effort into Members’ induction. In the first days of a new election we have a whole series of meetings and road shows where Members go around the various offices and are given information.”*⁶

14.16 A short induction session on the new expenses scheme could help to explain the new rules and standards. We suggest that the independent regulator should offer a briefing or training session on the expenses scheme to every MP. These sessions, which should take no more than a couple of hours, should be mandatory.

14.17 MPs should also ensure that any members of staff who can incur expenditure or complete an expenses claim form on their behalf also have access to these induction sessions.

14.18 The Committee has considered what should happen if an MP refuses the offer of an induction session, in particular whether the independent regulator should withhold payments until an MP completes the induction. We recognise that withholding payment of an expenses claim could make it extremely difficult for an MP to discharge their parliamentary duties and is therefore not an option to be considered lightly. On the other hand, continuing to make payments to MPs who have not been briefed by the independent regulator on the new scheme increases the risk of payments being made in contravention of the rules. In light of this, the Committee has concluded that the independent regulator should consider deferring payments due under the scheme where an MP has not completed the induction session within a reasonable period – such as within three months of the new scheme being introduced or of an MP’s election.

Recommendation 55

An induction session on the new scheme should be offered to all MPs. If an MP does not undertake the induction session within the requisite period, the independent regulator should consider deferring payments due under the scheme until the induction session has been completed.

14.19 The Committee has given careful thought to the terms of the declaration that MPs should sign in making a claim for an allowance or reimbursement of an expense. Different views were expressed in the evidence about the significance of the declaration that MPs have had to make in the past – that expenditure was ‘wholly, exclusively, and necessarily’ incurred in the course of their parliamentary duties. The Comptroller and Auditor General suggested that such a declaration could be ambiguous and subjective in the absence of clear rules:

*“The problem with a declaration like that, is that unless it relates to extremely clear rules, it is not really very binding because, if you make a declaration and you quite honestly look at the rules and judge them to mean that whatever it is you have done is appropriate, you can make that declaration [...] you can say, ‘Well, I thought this was necessary because...’”*⁷

14.20 Another witness pointed out that it was difficult to apply the test to second home expenditure:

*“The wholly, exclusively and necessarily adage which is imported, I think, from tax law sits logically, comfortably and squarely upon any claim that a member is making in terms of their office budget, their travel budget, even their communications budget. It is an unusual construct when placed upon a claim for running a second home.”*⁸

14.21 HMRC, on the other hand, told us that there was a clear understanding of the phrase ‘wholly, exclusively and necessarily’ in the tax world:

*“In the tax world, that is standard, if you like, as to whether something can be deducted in computing tax, or not.”*⁹

The evidence from the Institute of Business Ethics also suggests a similar basis for claims for reimbursement of expenses in the private sector.¹⁰

14.22 The Committee takes the view that in the context of the principles and structure of the new scheme for expenses recommended in this report, the terms ‘wholly, exclusively, and necessarily’ are clear and unambiguous. They are similar to the terms used in the Scottish Parliament and the National Assembly for Wales. They also mirror expectations in other walks of life that expenses are claimed for legitimate business purposes only. Our recommendations on the provision of accommodation deal with the concerns about the appropriateness of the declaration for accommodation expenditure. There is therefore no valid objection to MPs being able to make such a declaration. Accordingly we suggest that, in addition to the annual statement confirming that claims made over the previous year are in accordance with the rules (Recommendation 54), an MP should, at the point at which they submit a claim for reimbursement of funds, be required to declare and sign or countersign, that sums claimed were incurred ‘wholly, exclusively and necessarily’ in the course of their parliamentary duties and, for the avoidance of doubt, in compliance with the rule book.

Recommendation 56

MPs should be required to sign a declaration on every claim that each item of expenditure was incurred wholly, exclusively and necessarily in the course of their parliamentary duties and that it complies with the principles and rules that are set out in this Report.

Documentary evidence

14.23 Following a resolution of the House of Commons on 30 April 2009, receipts or other documentary evidence are now required as proof of all expenditure, except for the overnight subsistence allowance and car mileage claims below the threshold.

14.24 Most of those that expressed a view on this point argued that receipts should be required for every claim for reimbursement. This was also the view of the participants in the Committee’s focus groups.

14.25 KPMG have told the Committee that employees are generally expected to submit original receipts to support expenses claims in both the public and private sector.¹¹ Asking for proof of expenditure helps to reinforce the fact that the system is designed to reimburse expenditure legitimately and reasonably incurred, and that there is no automatic entitlement. The Committee takes the view that receipts or other supporting documentary evidence (including a journey log supporting travel claims) should therefore be required to support all claims by MPs.

Recommendation 57

Receipts or other documentary evidence should be required for all claims.

Processing and verifying expense and allowance claims

- 14.26 The Committee would expect the independent regulator to check that all the necessary documentation has been completed and submitted, and to review all claims. The ability to challenge and/or reject a claim should be seen as a key part of the control framework. Such challenges should be accepted by MPs as a proper discharge of the independent regulator's responsibilities and of the professionalism of its staff. In evidence, an official from the Scottish Parliamentary Corporate Body described the relationship between staff administering the scheme and MSPs as one in which:

"Staff still, of course, treat all Members with courtesy but there is perhaps more of a willingness to constructively challenge Members." ¹²

The Committee would like to see a similar relationship develop between the independent regulator and MPs.

- 14.27 The independent regulator should also undertake periodic assessments of the effectiveness of its control regime.

Audit committee

- 14.28 At the heart of the assurance arrangements in most organisations is an audit committee. The purpose of an audit committee is to provide independent assurance of the adequacy of internal management controls. It is not a substitute for the proper discharge of the responsibilities of MPs, the House authorities, the independent regulator or internal and external auditors.
- 14.29 Under our proposals, the independent regulator will have responsibility for the determination and payment of pay, pensions and expenses. The House of Commons will have continuing responsibility for procurement and provision of House facilities and for HR support for MPs' staff. Accounting officer responsibility for the expenditure on supporting MPs will therefore be divided between the Clerk of the House and the independent regulator's chief executive. Responsibility for imposing parliamentary sanctions for departures from the rules will continue to rest with the House of Commons.
- 14.30 As a result, the assurance arrangements for MPs' expenses, staff payments and facilities will need to cover the arrangements in the independent regulator *and* the House of Commons.
- 14.31 Arguably, one of the factors that contributed to the situation in which claims went unchallenged was the lack of clarity over responsibility. As has been pointed out earlier, it seems that no one in Parliament had an overview of the types of items for which MPs were seeking reimbursement. There is no doubt in the Committee's mind that the confusing array of internal bodies with responsibilities for MPs' expenses contributed to this lack of overall oversight.
- 14.32 Ordinarily, the assurance arrangements would involve two separate audit committees, one for the independent regulator and one for the House of Commons. But the arrangements for payment, facilities and support for MPs are so closely intertwined that there is the risk that, if the House of Commons and the independent regulator were to establish distinct audit committees, a lack of coordination would continue to blur accountabilities. To address this, the accounting officers of the independent regulator and the House should develop a memorandum of understanding so that their respective responsibilities and areas of common interest are clearly defined, and there is a vehicle for working in partnership in areas of common interest.
- 14.33 In addition to this, the Committee believes that the House of Commons and the independent regulator should establish a joint audit committee. A joint audit committee would ensure clear responsibility for opining on the effectiveness of the overall control framework as well as on the separate responsibilities of the two accounting officers.
- 14.34 The audit committee should be responsible for advising the independent regulator and the House of Commons on the effectiveness of their internal controls, including the system for verifying and processing claims, and for confirming that sums paid out were indeed incurred 'wholly, exclusively and necessarily' in the course of parliamentary duties. The joint audit committee would be expected to review and approve

the internal and external audit plans of both organisations, review the adequacy, competence and independence of audit resources, receive reports from both the internal and external auditors, and ensure that any weaknesses or deficiencies in the control framework are addressed. We would also expect the joint audit committee to publish an annual report providing an overview on the effectiveness of control arrangements in each individual body as well as across both organisations.

- 14.35 The Committee has already noted that the concerns of the two independent members of the Members Estimate Audit Committee about the system for MPs' expenses, first raised in 2004, went unheeded. It will be important to ensure that any advice and comments from the new joint audit committee do not suffer a similar fate. We believe that this would be best achieved if the chair of the new audit committee and the majority of its membership were to be independent, that is not drawn from the membership of the independent regulator or the House of Commons, with the balance of its membership drawn from the independent regulator and the House of Commons. The equivalent bodies in Scotland and Wales have an independent chair and a majority of independent members.
- 14.36 There may be a concern as to whether the appointment of an independent chair and members to the joint Audit Committee represents a departure from precedent. The existing Members Estimate Audit Committee has external membership (although a minority and not holding the chair). The Tebbit Review of Management and Services of the House of Commons in 2007 recommended that the Audit Committee of the House of Commons Commission should be chaired by an external member, because having a member of the House as chair was *"not fully consistent with the principles of external scrutiny"*.¹³ The House of Commons Commission response to this recommendation did not raise any concerns of principle or parliamentary privilege:

*"The Commission and the Members Estimate Committee have decided not to make any immediate change to the chairmanship but will re-examine this recommendation when it next falls vacant."*¹⁴

Recommendation 58

The independent regulator and the House of Commons should establish a joint audit committee to oversee the assurance arrangements for MPs' expenses, facilities and support arrangements. The chair and the majority of the membership of the audit committee should be independent of Parliament. The joint audit committee should publish an annual report on its activities and its opinion on the effectiveness of the system of internal controls of the new independent regulator and the House of Commons.

Whistleblowing

- 14.37 Effective whistleblowing arrangements – that is, arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters relating to expenses – could also help to provide assurance. Elizabeth Filkin, the former Parliamentary Commissioner for Standards, pointed to the lack of formal whistleblowing procedures in her evidence:

*"There are not proper whistleblowing arrangements, such as you need to have, but of course there were channels that people could have used [...] You have to have external private whistleblowing facilities as well to allow you, or the auditors, to investigate, to pick up concerns and to find out if that is just malicious or if there is some substance to it."*¹⁵

- 14.38 To address this, the independent regulator should develop effective whistle-blowing procedures. Responsibility for investigating concerns raised by a whistleblower should be assigned to a senior officer. The new policy should be communicated widely within the new regulatory body and the House of Commons. The audit committee should oversee the effectiveness of the whistleblowing procedures as part of its oversight of the assurance arrangements.

Recommendation 59

Effective whistleblowing procedures should be introduced by the independent regulator and by the House of Commons.

Independent audit

- 14.39 The expertise and reputation for independence of the National Audit Office (NAO) are a vital part of the overall assurance arrangements. The NAO, in line with its usual practice, would be responsible for reviewing the whole control environment including the effectiveness of the management controls and management assurance arrangements. The NAO's reviews will no doubt be proportionate and risk-based. The Committee expects the NAO to test a sample of transactions and for its reviews to extend to the assurance arrangements in constituency offices. An initial area of focus ought to be staffing and administrative and office expenditure in view of the risks highlighted in Chapters 6 and 7 of this Report. We would suggest that the NAO's audit should review the adequacy of the controls to ensure that the staffing and AOE allowances do not confer benefits on political parties. To the extent that such matters are not covered by International Auditing Standards, they should be the subject of a separate specific agreement with the NAO.

Openness and transparency

- 14.40 There is widespread agreement that openness and transparency ought to be key principles which underpin the new scheme of expenses. The most recent scandals came to light through the leak of information about details of MPs' expense claims to the media, following attempts by the House authorities to prevent their disclosure. Many have claimed that transparency would have prevented a number of the questionable practices such as 'flipping'.

*"I think that transparency will deal with a lot of the problems in the public domain recently. The knowledge that every claim you make will be in the public domain together with the invoice, I think, is a real incentive against making the sort of claims that have got the House into difficulties recently."*¹⁶

*"When the Scottish Parliament moved to total transparency, two things happened – the scandals and the embarrassments stopped because information was volunteered and, secondly, Members of Parliament behaved accordingly because they knew it was going to be published every three months."*¹⁷

*"The problem has been solved. Essentially you solve it when every claim that every Member of Parliament makes is exposed to public scrutiny."*¹⁸

*"Transparency must be at the heart of any future system, not just to ensure that MPs abide by the rules in future, but also to allay the concerns of the public. A high degree of openness may feel intrusive to MPs, but it is essential if Parliament is ever to regain the trust of the people."*¹⁹

- 14.41 While there is universal support for the principle of transparency, views differ on how to translate this principle into practice.
- 14.42 Some argue for the complete publication of all details of individual claims made and of accompanying documentary evidence. Others are in favour of a more restricted form of publication on privacy or security grounds. For others still, the issue is cost and proportionality. They question whether the publication of all receipts, for example, is necessary. It has also been suggested that only details of claims paid, and not of claims made, should be published.
- 14.43 The Committee welcomes the decision of the House of Commons to publish information on claims made by individual MPs in 2008-09 and later in *"a new searchable format...with less blanking out of details in receipts"*.²⁰ The Committee takes the view that the amount of information published should be sufficient to enable members of the public to judge both the propriety and utility of the item claimed for an MP's parliamentary duties. That would point to full disclosure down to receipt level.

14.44 The Scottish Parliament published full receipts for one year, but then switched to publishing detailed information on the amounts claimed. The general view from the focus groups we consulted was also that it was not necessary to publish individual receipts, providing a full account of claims made was published. The Committee has therefore considered whether the independent regulator should continue to publish receipts as a matter of course. We take the view that, in the wake of recent history, the publication of receipts is vital to restoring public confidence. The then Chairman of the Committee on Standards and Privileges took the same view:

"I personally would be slightly cautious, certainly in the short term, about substituting publication of receipts with some sort of spreadsheet. I think that until public trust is restored we will probably have to stick to the regime we have got at the moment." ²¹

14.45 The Committee recognises the concerns that have been expressed in relation to data protection and security.²² We believe that the balance between the protection of privacy and transparency should be struck by publishing receipts or documentary evidence of all claims, with only personally sensitive data or details of security measures removed.

14.46 The changes the Committee has recommended on accommodation expenditure reduce the importance of the disclosure of addresses. Under the scheme we have proposed, it would no longer be possible to make claims for white goods, furnishings or maintenance of properties. We have also recommended that the independent regulator apply an objective test to the question of what is a second home. However, during the transition period until all eligible MPs move to rented accommodation or hotels, the publication of the first part of a postcode should enable members of the public to see if an MP has changed the designation of their second home.

14.47 We note the concerns about the cost of publishing receipts. However, the Committee takes the view that an IT system could be developed to administer and process claims as well as to publish information, which should reduce the costs.

Recommendation 60

The independent regulator should continue to publish, at least quarterly, each individual claim for reimbursement made by MPs with accompanying receipts or documentary evidence. The information published should not be confined to claims actually reimbursed.

References

- ¹ The House of Commons, *Annual Report, Resource Accounts & Audit Committee Annual Report*, 2008-09, HC 955 p. 48
- ² Information Tribunal, *Information Tribunals Appeal EA/2007/0060 and others*, 26 February 2008
- ³ Nick Harvey MP, Public Hearing, 23 June 2009, paragraph 293
- ⁴ House of Commons, Members Estimate Committee, *Review of Allowances*, Third Report of Session 2007–08, Volume I HC 578-I, p. 19
- ⁵ Ev702 (KPMG)
- ⁶ Stewart Giffillan, Public Hearing, 16 July 2009, paragraph 179
- ⁷ Amyas Morse, Public Hearing, 7 July 2009, paragraph 448
- ⁸ Nick Harvey MP, Public Hearing, 23 June 2009, paragraph 300
- ⁹ Dave Hartnett CB, Public Hearing, 7 July 2009, paragraph 528
- ¹⁰ Ev 531 (Institute of Business Ethics)
- ¹¹ Ev 722 (KPMG)
- ¹² Stewart Giffillan, Public Hearing, 16 July 2009, paragraph 197
- ¹³ House of Commons Commission, *Review of Management and Services of the House of Commons*, 25 June 2007, HC 685, p.20
- ¹⁴ House of Commons Commission, *Response to Sir Kevin Tebbit's Review of the Management and Services of the House of Commons*, 17 December 2007 HC 193, p.2
- ¹⁵ Elizabeth Filkin, Public Hearing, 29 June 2009, paragraph 637
- ¹⁶ Rt Hon Sir George Young MP, Public Hearing, 29 June 2009, paragraph 120
- ¹⁷ Ev 638 (Scottish National Party)
- ¹⁸ Dr Tony Wright MP, Public Hearing, 29 June 2009, paragraph 393
- ¹⁹ Ev 510 (Taxpayers' Alliance)
- ²⁰ Statement by the Members Estimate Committee 21 July 2009 available at <http://www.parliament.uk/documents/upload/MEC090721.pdf>
- ²¹ Rt Hon Sir George Young MP, Public Hearing, 29 June 2009, paragraph 121
- ²² Ev 736 (Dr Julian Lewis MP)

Chapter 15

Financial implications

- 15.1** The Committee made it clear when it launched this inquiry that one of its guiding principles would be value for money for the taxpayer. This chapter provides an overview of the financial implications of the Committee's recommendations.
- 15.2** On 19 May 2009, the then Speaker of the House announced that all the party leaders had committed to accepting the Committee's proposals, provided that three tests were met. One of those tests was that the Committee's recommendations reduced costs for the taxpayer – the other two were increased transparency and accountability.
- 15.3** The Committee is confident that its proposals satisfy all three tests, including a reduction in costs.
- 15.4** That said, while we understand the importance of reducing costs, particularly in the current economic climate, we also feel strongly that a simple cost-cutting exercise which took no account of the impact of the proposals on the ability of MPs to fulfil their responsibilities or on the robustness and propriety of the system would serve neither our democracy nor taxpayers well in the long term.
- 15.5** The exact size of the savings which will be generated by the proposals is difficult to calculate – partly because of deficiencies resulting from the way in which the House has collated information about expenses in the past, and partly because the committee is proposing very substantial changes to the current arrangements.¹ The Committee cannot be sure how these changes will affect the behaviour and spending patterns of individual MPs.
- 15.6** Significant savings should, however, be generated in the following areas:
- Accommodation: There could be a saving of around £2.7 million arising from a reduced range of claimable expenditure and a reduction in the London costs allowance for Greater London MPs, based upon 2007-08 spending patterns.²
 - Communications allowance: Abolishing the allowance would lead to a first round saving of £5.1 million based on 2007-08 expenditure. This would be reduced to the extent that some communications expenditure which would previously have been funded by the allowance is financed instead from office budgets. But even in the unlikely scenario that every MP had spent all the remaining part of their administrative and office budget on communications, a minimum saving of £2 million would still have been realised last year.
 - Resettlement grant: Tightening the eligibility criteria would have realised savings of £2.6 million had the Committee's proposals been in place at the time of the 2005 General Election.
- 15.7** In addition, further, more difficult to quantify savings will include:
- Accommodation: Additional savings will come from the simpler administrative system, from recovering capital gains, and from a greater number of MPs being expected to commute to Parliament on a daily basis.
 - Travel: The Committee would expect savings from the proposals that MPs should pay for daily home to work commuting themselves.
 - Administrative and office expenditure: Savings should result from retaining office equipment in public ownership and encouraging greater centralised provision of equipment.

15.8 There will be some offsets:

- Accommodation: The agency employed to help MPs source accommodation will charge a handling fee, though that could be offset by improved efficiency and other factors. The costs of renting accommodation may in some individual cases be higher than the costs of mortgage interest, although exact costs will depend upon the standard of accommodation and level of support provided by the proposed agency.
- Staffing: A small cost is likely from enhancing the HR support provided to MPs and their staff, though this could lead to a more efficient allocation of resources overall. There will also be a one-off cost at the time of the election after next in the form of redundancy packages for employed family members, though many of these would have been entitled to redundancy pay at some point in the future anyway.
- Audit and assurance: There may be some additional costs incurred in setting up the new assurance and audit arrangements. The improvements we have recommended seek to embed standard management practice and if implemented in the most effective way, should involve minimal additional costs. In the long term, audit will help safeguard the use of public money and may also identify further cost-saving measures.

References

- ¹ For example, estimates of potential savings from the new accommodation arrangements are based upon an analysis of a sample of 50 MPs' expenses claims, provided by the House of Commons.
- ² This figure excludes the savings of approximately £270k arising from outer-London MPs no longer receiving the second homes allowance.

Appendix 1

About the Committee on Standards in Public Life

- A1.1.** The Committee on Standards in Public Life is an advisory Non-Departmental Public Body (NDPB) sponsored by the Cabinet Office. The Chair and members are appointed by the Prime Minister. The Committee was established in October 1994, by the then Prime Minister, Rt Hon Sir John Major, with the following terms of reference:

“To examine current concerns about standards of conduct of all holders of public office, including arrangements relating to financial and commercial activities, and make recommendations as to any changes in present arrangements which might be required to ensure the highest standards of propriety in public life.”

- A1.2.** The remit of the Committee excludes investigation of individual allegations of misconduct.

- A1.3.** On 12 November 1997 the terms of reference were extended by the then Prime Minister:

“To review issues in relation to the funding of political parties, and to make recommendations as to any changes in present arrangements.”

Membership of the Committee for this Inquiry¹

Sir Christopher Kelly KCB (Chair)

Lloyd Clarke QPM

Sir Derek Morris MA Dphil

Dame Denise Platt DBE

David Prince CBE

Dr Elizabeth Vallance JP

Dr Brian Woods-Scawen DL CBE

Acknowledgements

- A1.4.** David Doig, a former Principal Clerk in the House of Commons, acted as an adviser to the Committee.
- A1.5.** The Committee is grateful to the following MPs for allowing members of the Committee to shadow or observe them in their work:

Member of Parliament	Constituency
Paul Burstow MP	Sutton and Cheam (Liberal Democrat)
Rt Hon Andrew Smith MP	Oxford East (Labour)
Jeremy Wright MP	Rugby and Kenilworth (Conservative)
Barry Sheerman MP	Huddersfield (Labour/CO-OP)
Jacqui Lait MP	Beckenham (Conservative)
John Mann MP	Bassetlaw (Labour)
Sir Peter Soulsby MP	Leicester South (Labour)

- A1.6.** Advice and assistance to the Committee for this inquiry was also provided by Treasury Solicitor's Department.

Secretariat

- A1.7. The Committee is assisted by a Secretariat: Ruth Alaile (Secretary); Peter Hawthorne (Assistant Secretary); Martin Adams (Senior Policy Advisor); Rachel Finlay (Policy Assistant); Anju Still, (Business Manager); Matthew Dowding (Secretariat Co-ordinator); and Maggie O'Boyle (Press Officer). Gloria Durham also provided assistance to the Committee for part of the inquiry. The Secretariat provides policy advice, drafting and all aspects of the organisational and logistical support required by the Committee to operate effectively.

Costs of the inquiry

- A1.8. The estimated expenditure on this review is £393,000. This includes staff and Committee costs, the cost of the public hearings, research and external advice, administrative costs, and the cost of printing 3,000 copies of this report and the executive summary.

References

- ¹ The three political representatives on the Committee: Oliver Heald MP; Baroness Maddock; and the Rt Hon Alun Michael MP, decided not to take part in this inquiry because of concerns about a real or perceived conflict of interest. For further information see the Committee's statement on involvement of political representatives, published on 3 April 2009.

Appendix 2

List of witnesses who gave oral evidence

Day 1 : 16 June 2009

Professor Anthony King, Millennium Professor of Government, University of Essex
 Rt Hon Harriet Harman MP, Leader of the House of Commons
 Alan Duncan MP, Shadow Leader of the House of Commons
 David Heath CBE MP, Shadow Liberal Democrat Leader of the House of Commons

Day 2 : 23 June 2009

Peter Osborne, Journalist
 Peter Facey, Director, Unlock Democracy
 Alexandra Runswick, Deputy Director, Unlock Democracy
 Matthew Elliott, Chief Executive, The Taxpayers' Alliance
 Mark Wallace, Campaign Director, The Taxpayers' Alliance
 Nick Harvey MP
 Sir Stuart Bell MP
 Andrew Tyrie MP
 Rt Hon Ann Widdecombe MP

Day 3 : 29 June 2009

Sir Philip Mawer, Former Parliamentary Commissioner
 Rt Hon Sir George Young MP, Chairman of the Committee on Standards and Privileges
 Elfyn Llwyd MP, Leader, Plaid Cymru Westminster Group
 Dr Tony Wright MP, Chair of the Public Administration Committee
 Angus Robertson MP, Scottish National Party Westminster Group Leader
 Elizabeth Filkin, Former Parliamentary Commissioner for Standards

Day 4 : 30 June 2009

Ms Lorely Burt MP, Chairman, Liberal Democrat Parliamentary Party
 Peter Riddell, Journalist and Chairman of the Hansard Society
 Dr Ruth Fox, Director, Hansard Society
 Dan Whittle, Chair of Unite Parliamentary Branch
 Kevin Flack, Branch Secretary, Unite Parliamentary Branch
 Amy Normand, Chair of the Liberal Democrat Staff Association
 Sian Norris-Copson, Chair of the Members and Peers Staff Association
 Heather Brooke, Freedom of Information Campaigner
 Tom Steinberg, Director, MySociety

Day 5 : 1 July 2009

David Gordon, Journalist, Belfast Telegraph

Dawn Purvis MLA, Progressive Unionist Party

Danny Kennedy MLA, Ulster Unionist Party

Alex Maskey MLA, Sinn Féin

Kieran Kearney, Sinn Féin

Alban Maginness MLA, Social Democratic & Labour Party (SDLP)

Peter McClenaghan, Social Democratic & Labour Party (SDLP)

Day 6 : 7 July 2009

Bill Cockburn CBE TD, Chairman, Senior Salaries Review Body

Keith Masson, Senior Salaries Review Body

Tony Lloyd MP, Chair of the Parliamentary Labour Party

Martin O' Donavan, Secretary, Parliamentary Labour Party

Roger Gale MP

Suzy Gale

Amyas Morse, Comptroller & Auditor General, National Audit Office

Dave Hartnett CBE, Permanent Secretary for Tax, HM Revenue and Customs

Day 7 : 8 July 2009

Richard Reeves, Director, Demos

Sonia Sodha, Head of Capabilities Programme, Demos

John Drysdale, Chairman, Transparency International UK

Chandrashekhar Krishnan, Executive Director, Transparency International UK

Charles Cotton, Adviser, Chartered Institute of Personnel and Development

Philippa Foster Back OBE, Director, Institute of Business Ethics

John Chaplin, Director, Employment Taxes, KPMG

Rt Hon John Gummer MP

Gregory Campbell MLA MP, Democratic Unionist Party

Andrew Mitchell MP

Day 8 : 13 July

Ms Elizabeth Peacock, Vice Chair, Association of Former Members of Parliament

Ms Julia Drown, Former Member of Parliament

Hugo Summerson, Former Member of Parliament

Gary Lewitt, Director, Service Personnel Policy Service Conditions, Ministry of Defence

Group Captain Carol Smith, Ministry of Defence

Oonagh Gay, Honorary Senior Research Associate, University College London

Barry Winetrobe, Parliamentary & Constitutional Consultant & Honorary Senior Research Associate, University College London

Professor Dawn Oliver, Emeritus Professor of Constitutional Law, University College London

Professor Patricia Leopold, Head of School of Law, University of Reading

Rt Hon Don Touhig MP, Chairman of the Committee on Members' Allowances

Rt Hon Michael Jack MP, Member of the Committee on Members' Allowances

Fiona Mactaggart MP, Co-Chair, Parliamentary Labour Party's Women's Committee

Natascha Engel MP, Parliamentary Labour Party's Women's Committee

Sally Keeble MP, Parliamentary Labour Party's Women's Committee

Barry Quirk, Chief Executive, London Borough of Lewisham; former Chair of SOLACE

Dr Bob Chilton, Chairman, Standards for England

Paul Hoey, Head of Strategic Relations, Standards for England

John Ransford, Chief Executive, Local Government Association

Day 9 : 16 July 2009

Benedict Brogan, Chief Political Commentator, Daily Telegraph

Stewart Gilfillan, Assistant Clerk/Chief Executive, The Scottish Parliament

Huw Williams, Head of Officeholder Services and Allowances Policy, The Scottish Parliament

Rt Hon Jack Straw MP, Lord Chancellor and Secretary of State for Justice

John Lyon CB, Parliamentary Commissioner for Standards

Appendix 3

List of those who submitted written evidence

The following 732 individuals or organisations submitted evidence to the Committee as part of its consultation exercise, which closed on 10 September 2009.

Copies of the submissions are available from the Committee's website www.public-standards.org.uk. Submissions which concern individual cases, or which appears to contain potentially defamatory material, have not been published. In addition, the Committee received submissions from a number of members of the public, which were not directly in response to the Committee's consultation paper, where these individuals did not give their explicit consent to the publication of their comments we have not done so.

Name of individual/organisation		
Rt Hon David Blunkett MP	Rt Hon Nick Clegg MP	Sir Patrick Cormack MP
Dai Davies MP	Fabian Hamilton MP	Stewart Jackson MP
Charles Walker MP	N Barnett	R Bly
A R F Carter	R Keight	B Catterwell
J Cooper	I Dickson	S Guaschi
John Hemming MP	D Harper	J Howard
S Hill	D Knowles	K Mayes
K MacMillan	R Miller	S Mountford
T Pinder	P Weston	G Howard
D J Swainson	S Johnson	D Hall
J E Guazzelli	I Lawrence	J Beales
K Price	N Easton	R Sutherland
R Phillips	D Hall	Tony Baldry MP
A Hetherington	Lord Soley of Hammersmith	Mark Field MP
Sir Peter Viggers MP	R Windle	D Stevens
R J Smith	R Manning	B Ewington
S Humphris	F Burroghes	C A Bullows
J Hope	A Ross	D Neilson
M Lake	M Pain	S Bastin
D Hoole	J Waite	H Atcherley
D Bartram	J Hutton	S John
E Spalton	M Cooksey	D Jenkins
D B Pigott	C F Vost	P J Smith
R Giles	R Edwards	M C T Morrison
K Barr	P Windebank	J Riddell
P Skellorn	J Petticrew	J Wales
G Day	M Coakley	M Wright

Name of individual/organisation		
G Endicott	Cllr P Martin	I McGinty
H Carter	H Anderson	M Robinson
M Barnbrook	P Hardy	R and S Kipps
C Wilson	D B Hulatt	I Lawrence
I H C Stein	E Wilson	J Whitworth
J Chadaway	Peter Bone MP	Chris Mullin MP
K Futter	D Whitfield	K Hutchins
J Keayes	M Haig	N Bateman
P Kirkbride	T Turill	G Edland
M Boulter	K Isted	J Moss
E Heneghan	M Hughes	P Fisher
D Axford	R Franklin	M Mitchell
B Humphrys	I C Scott	R W Lawrance
L Waite	D Attfield	J Thorburn
J Lee	S Sexton	J D Addison
M Martin	J B MacGill	G Pear
G Thompson	L Thompson	P Morris
Humphrey Malins CBE MP	A Quartermaine	M Rubinstein
K K Polyblank	S Bytheway	J R Parsons
M Morgan	A W Smee	B Langley
A Blakey	Ronnie Campbell MP	R H Rayner
F Griffiths	G Munton	J W Reid
J Harca	M Ford	D Buckley
E Jacobs	T Mason	B Faulkner
T Roberts	M Weatherstone	C Thorp
Lee Hill Partnership	B Colyer	R Clow
G P Cubbin	M Rawcliffe	C Cronin
M Mountford	G F Betts	S Storing
W Swanson	P Bysouth	P Parsons
M Gaze	E Rayner	R Bird
C Fuller	T Probert	N King
D Robinson	M Wigglesworth	I John
M Davison	J Lawrence	P Goodliffe
J Smith	D Watkins	R Hume-Rothery
N Clark	Rt Hon Patricia Hewitt MP	W Allen
M Elfain	A Maslin	Dr Richard Taylor MP
D Lipfriend	K Gale	Rt Hon Kevin Barron MP
A Leslie	A Parkes	G Allsopp

Name of individual/organisation		
M Tingle	P Cantwell	R Towle
B Lewis	L Lawrence	P Rush
Andrew Dismore MP	R Pass	S Murray
D Blackburn	A Bell	J Duncan
J Tate	D Cole	P Saunders
G Jones	K Dixon-Roche	R Cranidge
N Batho	W Boulter	R Boyce
P and M Ebbs	E Mencher	R Foster
D Griffiths	M S Hahn	B Tong
G Hysted	M Fletcher	C Taylor
A Davidson	R N Vaughan	P Latham
E Pepper	A Astron Christo	M Bunbury
J A Whittaker	Rt Hon Ann Widdecombe MP	Unite the Union
A Pritchard	J Maguire	P Birtwistle
S Barber	T Riley	S White
E Larkin	J A Lewis	G Mitchell
J Sterling	R Harrison	J Orton
P Rowberry	B Veriod	D Weir
P Reynolds	Sir Nicholas Winterton MP	Derek Wyatt MP
J Wigglesworth	E Wirtenberger	C Archibald
D Holroyd	K Bridgwood	E Doyle
D Bruce	P Lehmans	R Moore
M Mawby	Dr M Philp	S Woodward
A Strachan	S Marshall	J Kimberlin
A Evans	A Mackie	I Fairbairn
J Russell	C Massey	R Cope
D Haworth	R Truan	Professor Matthew Flinders, Department of Politics, Sheffield University
S Beaton	Emily Thornberry MP	A M Hodge
K M Legge	R A Reddey	R Edey
K Davis	H Thompson	J K Smith
A Payne	M Mason	J Storey
R Edwards	Dr L C B Long	R McDonald Woods
H Bell	K Gurr	B and F Irwin
James Plaskitt MP	S Gale	N Howes
S Lawrence	D Booth	S Felce
J Rigby	A Povey	A T Macdonald
G Harrison	Vice Admiral Sir David Dobson KBE – Union Jack Club	Sheffield Hallam Constituency Labour Party
S Togher	J A Punter	C Drinkwater

Name of individual/organisation		
J A Swift	C S Hill	M M Forrest
E Mackeown	I M Punnett	A Thorpe
A Enefer	I Stuart	D Shepherd
David Lammy MP	G Harrington	H Bayliss
B Jeffery	R F Willis	M Stringer
G D Jones	T J Jackson	A Wilson
Allstar Services Ltd	P M Rawsthorne	Dr C Bowman
R Robinson	K Finney	S R Errington
P Lamb	H Summerson	D M Hall
P J Damodaran	C Steward	M Sale
A Close	E Elwell	B McGinley
S Flannery	J Parkinson	B Clark
L Anderson	HCR Ltd	C Fletcher
J Gibbons	Dr Alexandra Kelso, Lecturer in British Politics, University of Southampton	J Terry
Peter Osborne	Roger Gale MP	Dr Nick Palmer MP
Sir Stuart Bell MP	P Grootendorst	R Stoodley
R Grootendorst	N F Taylor	P Rowbotham
J Bryson	E Rison	K Lipscombe
P Flett	J Hesketh	R Rowland
I Jones	G M H Thompson	A Coombe
J Feery	R H Lalley	K Drew
P A Macrow	R P And P C Scott	Cllr Charles Swift
J Slater	R Hull	Revd D Harkison
R Burton	Ian Taylor MBE MP	David Heathcoat-Amory MP
Rt Hon Sir George Young MP	B Henderson	Peter Luff MP
Nigel Morris-Cotterill	B Reiber	H Griffiths
M Schofield	K and D Hunt	P Sky
F P Plachy	P Pollard	A Mitchell
B Birkinshaw	D Beazer	I M Johnson
Sidcup Community Group	C Middleton	M Longley
K D Wilkinson	G T Craggs	P Jackson
R Tweed	M White	R T Ellis
D J Campbell	B J Mears	T Wilson
R Joffe	National Audit Office	David Crausby MP
Ian Liddell-Grainger MP	David Clelland MP	Rt Hon Peter Hain MP
D Driscoll	C P Lynch	I Hill
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J Dobson	P Neale	C Laban

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H Barnes	G Cassen	B R Andrus
J Whitworth	W Legge	B Ayres
E Nicholson	Bernard Jenkin MP	C Pine
Alliance for Lobbying Transparency	Linda Gilroy MP	L Nelson
D Anderson	G Searjeant	E Byrne
M Grant	PLP Women's Committee	J Hills
N Ball	Parliamentary Labour Party	R Ram
G Beak	R Cox	A Pemberton
R Barley	J & S Carruthers	J Drown
Standards Board for England	C Robinson	D Merchant
C T Smart	Andrew Robathan MP	V Mather
C Lynch	T Colton	Andrew Stunell OBE MP
B Thorp	Alison Seabeck MP	Members' and Peers' Staff Association (MAPSA)
David Gordon (Belfast Journalist)	F Wildgust	Transparency International (UK)
R Campbell Wilson	John Lyon CB, Parliamentary Commissioner for Standards	Hugo Swire MP
C Stansbury	Brian Donohoe MP	D Moncaster
S Kensington	Helen Goodman MP	E G Roberts
E Malone	J Clark	M Sherrington
G Hirst	D King	P Powers
Professor Michael Rush, Emeritus Professor of Politics, University of Exeter	The Baptist Union of Great Britain, The Methodist Church and the United Reformed Church	J J Watson
Andrew Miller MP	Lady Anderson	The Taxpayers' Alliance
David Ruffley MP	HM Revenue and Customs	Michael Clapham MP
The Hansard Society	Greg Mulholland MP	Andrew George MP
Liberal Democrat Staff Group	Eric Illsley MP	Unlock Democracy
Dr Lynne Jones MP	Parliamentary Resources Unit	National Council for Voluntary Organisations
Meg Munn MP	Rt Hon Michael Jack MP	Jo Swinson MP
Social Democrat and Labour Party (SDLP)	Rt Hon Ben Bradshaw MP	Rt Hon Malcolm Bruce MP
G Prichard	Dr Nicholas Allen, University College London	Institute of Business Ethics (IBE)
D Q Miller	The Electoral Commission	Sunlight Centre for Open Politics
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Richard Burden MP	The Conservative Party	P Preece
J Thomas	D Fergusson	A Hill
Chartered Institute of Public Finance & Accountancy (CIPFA)	The Labour Party	The Rt Hon Lord Baker
G McAuley	R Farrer	B Stone
T Longman	J Kent	A MacLeod
I Furnell	R Smith	Society of Local Authority Chief Executives and Senior Managers (SOLACE)
M Pomeroy	Andrew Mitchell MP	The Government
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T Frawley CBE, Interim Commissioner for Standards, Northern Ireland Assembly	P Cobley	A Allen
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H Pickering	R Faux-Larkman	M Croft
A Lester	D Mappin	L Sage
J Parlett	Jacqui Lait MP	R Smith
Nick Harvey MP	J McMahon	R M Whitaker
J B Millar	B Jackson JP	P F Fairclough
J Bentley	Scottish National Party Westminster Group	V Randall
David Hamilton MP	K Salway	D Lee
A Thompson	R Fogden	G Buckler

Name of individual/organisation		
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M Grinstead	P Carr	Paul Flynn MP
M Ibbotson	Plaid Cymru Westminster Group	Cllr S Pratley
R Taylor	G Ward	C Simeons
P McParland	R Eyre	B Dunmore
Rt Hon Douglas Hogg QC MP	D G Walding	S Hogben
J Weaver	A V Matthews	Matthew Taylor MP
Ulster Unionist Party	Sinn Féin	R Fawley
A Baker	Dr A Lawson Lucas	R Saxton-Howes
M Limon	K Parker	S Brown
C Price	A May	Senior Salaries Review Body
Heather Brooke, Campaigner for Freedom of Information	Adam Afriyie MP	C Walker-Mollington
J and C Buckland	T Plume	ComRes Ltd
B Dyke	R McNeil	B Skelcher
S Hammond	A R Hyett	M Frampton
P Want	Bob Spink MP	R Tabb
Populus Ltd	J Freeman	P Timms
Adrian Bailey MP	David Wilshire MP	P Osman
T McWalter	J McDougall	P Cabuzet
Committee on Members' Allowances	P R Davies	C & P Smith
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L Shuter	Tom Steinberg, MySociety	P Young
A Erskine	G Robert Hopkinson	D Beaumont
W Jenkins	William Cash MP	Green Party
Beckenham Conservative Association	KPMG	Edward Leigh MP
G Melaert	Rt Hon Margaret Beckett MP	J R Hunt
C Belshaw	C Brown	J Stringer
B Turnock	P Newlands	G Spibey
P Packer	S Stephens	Mrs L Upham
Dr Julian Lewis MP	I D Taylor	T Dixon
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S J Gunter	D Holley	C N Cornes
I H Lay	J Crawley	A W Neill
R S Frazer	M Hill	K Bennett
P Gray	H A Prowse	I Lewis-Hinde

Appendix 4

Additional material considered by the Committee

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Appendix 5

Previous Reports by the Committee

A5.1. The Committee has previously published the following reports:

- Review of the Electoral Commission (Eleventh Report (Cm7006)) (January 2007);
- Getting the Balance Right: Implementing Standards of Conduct in Public Life (Tenth Report (Cm6407)) (January 2005);
- Defining the Boundaries within the Executive: Ministers, Special Advisers and the Permanent Civil Service (Ninth Report (Cm 5775)) (April 2003);
- Standards of Conduct in the House of Commons (Eighth Report (Cm 5663)) (November 2002);
- Standards of Conduct in the House of Lords (Seventh Report (Cm 4903)) (November 2000);
- The First Seven Reports – A Review in Process (Sixth Report (Cm 4557)) (January 2000)
- The Funding of Political Parties in the United Kingdom (Fifth Report (Cm 4057)) (October 1998);
- Review of Standards of Conduct in Executive NDPBs, NHS Trusts and Local Public Spending Bodies; (Fourth Report) (November 1997)
- Local government in England, Scotland and Wales (Third Report (Cm 3702)) (July 1997);
- Local public spending bodies (Second Report (Cm 3270)) (June 1996);
- Members of Parliament, Ministers, Civil Servants and Quangos (First Report (Cm 2850)) (May 1995).

A5.2. The Committee is a standing committee. It can not only conduct inquiries into areas of concern about standards in public life but also later re-visit that area and monitor whether and how well its recommendations have been put into effect. The Committee has so far conducted two reviews, the which it reported in its fourth and sixth reports. In 2001, it published a stock-take of the action taken on each of the 308 recommendations made in the Committee's seven reports between 1994 and that date.

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List of abbreviations

ACA	Additional Costs Allowance
ACOBA	Advisory Committee on Business Appointments
AM	Member of the National Assembly for Wales
AOE	Administrative and Office Expenditure
DUP	Democratic Unionist Party
DWP	Department for Work and Pensions
EU	European Union
HMRC	Her Majesty's Revenue and Customs
IPSA	Independent Parliamentary Standards Authority
MEC	Members Estimate Committee
MEP	Member of the European Parliament
MLA	Member of the Northern Ireland Assembly
MOD	Ministry of Defence
MSP	Member of the Scottish Parliament
NAO	National Audit Office
NDPB	Non-Departmental Public Body
OCPA	Office of the Commissioner for Public Appointments
PAAE	Personal Additional Accommodation Expenditure
PASC	Public Administration Select Committee
PICT	Parliamentary Information and Communications Technology Department
SDLP	Social Democratic and Labour Party
SSRB	Senior Salaries Review Body
The Jones Review	National Assembly for Wales, Independent Review Panel, Getting it Right for Wales: An independent review of the current arrangements for the financial support of Assembly Members, July 2009
The Langlands Review	Independent Review of Parliamentary Allowances, Report to the Scottish Parliamentary Corporate Body on the Reimbursement of Expenses for Members of the Scottish Parliament, March 2008

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