## Response to IPSA Annual Review of the MPs' Expenses Scheme

Committee on Standards in Public Life

February 2011

Chair: Sir Christopher Kelly KCB

## Introduction

- 1. The Committee on Standards in Public Life welcomes the opportunity to comment on the consultation paper prepared by the Independent Parliamentary Standards Authority for their first review of the MPs' expenses scheme. As with the Committee's report on this subject in November 2009 (Cm 7724), the Committee's politically appointed members<sup>1</sup> have not taken part in the preparation of this response to avoid any real or perceived conflict of interest.
- 2. The Committee will not respond in detail to the majority of the questions posed by the consultation paper, most of which are on details of the expenses scheme. But there are a number of general points we would like to make.
- 3. First, in his foreword to the consultation document Sir Ian Kennedy said that:

"Public confidence in the payment of expenses [to MPs] is the key outcome to which IPSA is aspiring."

4. We wholeheartedly endorse this as an objective. As we said in our last report:

"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." (Page 7, paragraph 4)

Parliament's decision to remove MPs' role in setting their own expenses regime and the creation of an independent regulator was one of the most important steps taken to restore public confidence. Nothing that has happened over the months since the setting up of the new scheme at the beginning of the current Parliament should be allowed to cast doubt on that fundamental point – despite some of the vociferous criticism IPSA has faced and the significant difficulties apparently experienced in bedding down the scheme.

5. But there is a risk that in pursuit of the public confidence objective insufficient attention may be paid to another important point – that the purpose and principal function of the expenses scheme is to support Members of Parliament effectively in carrying out their important and difficult jobs. The Committee has seen much anecdotal evidence – including from their own conversations with individual MPs - that the current scheme as presently constituted is not yet succeeding in fully meeting that objective, even allowing for inevitable teething difficulties. IPSA have already made a number of important changes, for example to reintroduce the possibility of payments being made directly to an MP's landlord without needing to pass through the MP's own bank account. We hope they will be prepared to make further changes where the evidence supports it and where that does not conflict with the integrity of the scheme or this Committee's own recommendations about it. On the face of it, there would appear to be some scope for doing so.

<sup>&</sup>lt;sup>1</sup> Oliver Heald MP, the Rt Hon Margaret Becket MP and the Lord Alderdice

- 6. Second, the Committee strongly endorses IPSA's emphasis on the expenses scheme being principle-based. We set out our own view of what those principles should be in chapter 3 of our report.
- 7. One of those principles was that the arrangements should be sufficiently flexible to take account of the diverse working patterns and demands placed upon individual MPs, and should not unduly deter representation from all sectors of society. Consistently with this, the Committee welcomes the consultation paper's identification of the impact on MPs' family life as a key theme to be explored further. It would be a tragedy if the implementation of an expenses scheme were to have the effect of inadvertently and unnecessarily limiting access to the role of MP for those with young families, caring responsibilities or other challenging personal circumstances.
- 8. The same principle is an argument for greater flexibility for making offsets between the limits on expenditure for staffing and renting a constituency office a second major theme identified in the consultation paper.
- 9. Third, it appears that one of the major issues raised by a number of MPs is the difficulty they have experienced in obtaining advice about the legitimacy of certain expense claims. This becomes particularly important in the context of a requirement that rejected expense claims will be published as well as accepted ones a requirement that we recommended but which could conceivably be relaxed in the light of experience as confidence in the scheme improves.
- 10. We do not have any independent evidence of the extent to which this remains a real problem. It may be something which has settled down since the early days of the scheme. But for the avoidance of doubt it is the Committee's view that it is a proper function for a regulator to be prepared to give advice on the implications of the regulations for which they are responsible, and that they ought to be able to do so without prejudicing the fact that it is ultimately the MP's own responsibility to ensure the legitimacy of their claims as the consultation paper argues, correctly in our view. There is a balance to be struck.
- 11. Such a balance needs to be based on reciprocal respect of the different roles of MP and regulator and on mutual trust. Publishing details of advice given to MPs before formal claims are made could risk undermining that trust and understanding.
- 12. Fourth, a second area which seems to have caused particular difficulty is the third of the key themes identified in the consultation paper the definition of who should be regarded as a London MP and therefore subject to different, less generous rules in relation to accommodation and travel.
- 13. This Committee made clear in our report our view that the then existing rule about who was an London MP was drawn too restrictively, with the result that some MPs were able to claim for the cost of a second place of accommodation even though their travel to work times from their main

homes may be no greater than those faced by many of their constituents. We did not carry out a detailed analysis in our report. It is fair to say, however, that we had envisaged a much more limited extension of the definition of London than that in practice was adopted by IPSA. We therefore welcome IPSA's readiness to look at this issue again. It is our impression that the current definition has caused undue difficulties for a number of MPs.

- 14. Fifth, the consultation document specifically asks for views on the reintroduction of some form of resettlement grant, equivalent to redundancy pay, as an interim step pending their forthcoming review of MPs' pay and pensions.
- 15. The Committee's report recommended that there should be a resettlement grant for MPs, that it should be available to those who lose their seats at a general election, as the result of deselection or because of boundary changes (something which could become important in the near future), but not to those who simply retire. We suggested that it should be paid at the rate of one month's salary for each year of service up to a maximum of nine months. That followed an earlier recommendation of the Senior Salaries Review Body, not accepted by the House of Commons at the time, which would bring the arrangement broadly into line with other redundancy schemes. We see no need to revisit that recommendation.
- 16. Finally, we made two recommendations in our report which were not taken up by IPSA in their design of the new scheme. One was that a commercial agency should be employed with the task of finding and maintaining rented accommodation for new MPs, along the lines of a similar scheme in place for a rather larger number of Ministry of Defence personnel posted to different parts of the country. It might have been difficult to have established such a scheme in the relatively short period between the establishment of IPSA and the date of the last election. We understand IPSA's reluctance to take on the task at that time. But it remains in our view an attractive proposition which could help simplify the arrangements for many new MPs and remove some of difficulties with the detailed rules on accommodation. For that reason we very much hope that IPSA will take steps to explore the option further in good time for the next election.
- 17. The other recommendation was that new MPs should no longer be able to use their expenses to employ family members at public expense, though existing MPs who already did so should be allowed to continue for one more Parliament. We were disappointed that IPSA chose not to implement this recommendation in full, though they have limited MPs to the employment of only one "connected party" out of their expenses. We continue to be concerned about the potential for abuse perceived or otherwise which this creates.

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