

Committee on Standards in Public Life

REVIEW OF MPS' EXPENSES

Issues and Questions

April 2009

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.

1. Introduction

- 1.1. There has been a rising tide of criticism of the way in which Members of Parliament are reimbursed for the expenses they incur in performing their public duties. Successive revelations about particular Ministers and MPs have brought public trust in the integrity of politicians to a very low ebb. The fact that many of the revelations turn out subsequently to be about behaviour which is judged to be within the existing rules governing the claiming of expenses has cast doubt on the appropriateness of those rules in the first place.
- 1.2. This is a very unhealthy situation for democracy. It must also be very disheartening for all those many MPs who perform their duties to the best of their ability with diligence and integrity. It should not be allowed to continue. Changes in the expenses system are unlikely by themselves to restore public trust. That will depend on the behaviour of individual MPs. But it is clear that the present system, whereby MPs set the rules on their own expenses, has not well served either MPs or the public interest. This is why the Committee on Standards in Public Life has launched a review of MPs' expenses.
- 1.3. On 21 April, 2009, the Government announced interim measures to deal with some of the issues causing public concern, most significantly, claims for accommodation expenditure.¹ The Committee has noted these proposals and will consider them, however it is firmly of the view that an independent review remains necessary. This is because:
 - The level of public interest in this issue is now so great that it is inappropriate to address it without holding an open inquiry that would enable everyone who wishes to express a view to do so before decisions are made and ensure that conclusions are evidence based.
 - Expenditure on accommodation is but one part – though a fairly major one – of a more complex system. Addressing it in advance of a full and independent examination of the complete system could lead to a second best solution.
 - Some of the fundamental issues are still to be addressed – that is whether it is right in principle for MPs to determine both the level and the nature of their own allowances, and how to assure the public that MPs are not able to gain personal financial advantage from expenses claims designed purely to help them carry out their parliamentary duties.
- 1.4. The overall objective of this inquiry is to devise a set of arrangements which command a much greater degree of public confidence, which properly supports MPs in their important and difficult jobs, which allows them to claim for expenses properly incurred without creating suspicion that they are somehow obtaining personal advantage, which hold MPs properly to account, and which is enforceable and sustainable over the longer term.

¹ Details of the Government's proposals can be found in a Written Ministerial Statement by the Leader of the House – House of Commons Hansard, 21 April 09, Col 10WS.
<http://www.publications.parliament.uk/pa/cm200809/cmhansrd/cm090421/wmstext/90421m0001.htm#090421109000014> [accessed 22 April 2009]

- 1.5. This will not be easy. The issues are not always as straightforward or black and white as some observers like to make out. Sometimes choices will have to be made between conflicting considerations.

Scope of the inquiry

- 1.6. The scope of the inquiry will be as wide as necessary. The starting point for it has to be what the public want and demand from their MPs, and what is a reasonable package of support to enable MPs to be able to meet those expectations in a way which commands public confidence.
- 1.7. The Committee do not wish to inhibit anyone from submitting evidence or proposals to us, however radical, on any aspect of the way MPs are supported. We are not, however, at present minded to consider:
- The basic level of MPs' pay, which is the role of the Senior Salaries Review Body (SSRB), except to the extent that any changes in the arrangements for reimbursing expenses have direct implications for pay. We do not, for example, intend to rule out without hearing the arguments the case for a radical simplification of the arrangements for expenses accompanied by some appropriate adjustment to pay – though the case against doing that is at first sight very strong, particularly in present circumstances.
 - The arrangements for MPs' pensions, which are currently the subject of a separate inquiry by the SSRB.
 - The effectiveness with which MPs do their jobs, which is best judged by the electorate through the ballot box.
- 1.8. Nor will the inquiry consider wider issues like the appropriate size of the House of Commons, even though some may see advantage to the public purse in a smaller, potentially better paid House of Commons. That raises constitutional as well as financial considerations.
- 1.9. In this review the Committee will be focussing solely on the arrangements in the House of Commons. The conclusions may, however, have some important implications for the House of Lords.

Guiding principles and presumptions

- 1.10. In undertaking the inquiry the Committee will be guided by the Seven Principles of Public Life, and by the more detailed guidance on the relationship between the Seven Principles and the system for supporting MPs' expenses set out in our statement to the Members Estimate Committee in April last year (annex A).² We start with a number of presumptions:
- MPs have the right to expect to be properly supported and to be reimbursed for the unavoidable costs they incur wholly and necessarily in performing their Parliamentary duties.
 - The public have the right to expect that in making claims on public resources

² House of Commons, Members Estimate Committee *Review of Allowances*, HC 578.

MPs behave with probity and integrity, are held accountable for what they do in a proportionate way and do not exploit the system to personal financial advantage.

- If the arrangements depart from those which would normally be expected elsewhere, those departures need to be explicitly justified.
- Arrangements should be flexible enough to take account of the diverse working patterns and demands placed upon individual MPs, and should encourage representation from all areas of society, or at least not discourage any individual from becoming an MP.
- Arrangements should provide best value for the tax-payer and should be subject to effective audit and assurance. Value for money should not necessarily be judged by reference to financial costs alone.
- Rules which lead to results which the general public would regard as unreasonable, however logical the way in which they are derived, are likely to be bad rules. 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.

1.11. A large amount of time and energy has already been devoted to this subject, with mixed results. Over the past year, a number of potentially important changes have been made in relation to the transparency of the expenses system and in the way in which claims for reimbursement are audited. The Committee has been actively involved in encouraging and helping to shape some of those changes, which have only recently come into effect.

1.12. But the reforms so far have been restricted in focus and piecemeal in implementation. We believe it is time to conduct an open, thorough and independent public inquiry to lay this matter to rest for the foreseeable future and remove the corrosive effect it is having on public trust in the integrity of our politicians. We hope that all political parties will commit to support and engage with our work and to accept its recommendations in full.

1.13. Some of the changes the Committee decide to recommend may be challenging. That will not prevent us from proposing what we believe to be appropriate.

Issues and questions to be addressed

1.14. Some of the questions which have been raised about the expenses system relate to basic principles (for example, is it right that MPs are able to vote on their own expenses regime), some to their implementation (should those with outer London constituencies within commuting distance of Westminster be on the same footing as those with constituencies many miles away). The Committee intends to consider both sets of issues.

1.15. The main questions which the Committee will be considering, some of which are strategic and some more detailed, include the following:

1. What are the necessary elements of a system which both supports MPs properly in the performance of their important and demanding role and commands public confidence?

2. Is it right that the House of Commons should be in a position to determine the nature and size of its own expenses scheme? If not, what are the alternatives? Who should be responsible for approving the content of the Green Book which sets out the basic rules?
3. Are the range of expenses which are currently reimbursable correct? Are the correct judgements being made about the resources MPs need to perform their jobs effectively?
4. Are the arrangements for policing the expenses system adequate? If not, how should they be reinforced? Is there adequate independent involvement? Are the new arrangements for internal and external audit introduced at the beginning of this financial year adequate?
5. If it is the right principle that MPs should not expect any element of personal financial advantage through the claiming of personal expenses, what approach should be taken in situations such as the support of mortgage interest which does offer the possibility of such advantage but which may nevertheless provide better value for money to the tax payer?
6. However logical the approach to reimbursement of expenses, is it possible that its implementation throws up so many difficulties, including difficulties of explanation to the wider public, that there is a case for considering a radical simplification which costs the same or less than the current arrangements? Would it be acceptable for some increase in the level of basic pay to form part of that?
7. Where reimbursement is made in respect of expenses such as the cost of running an office, should this payment continue to be made as an additional personal expenses allowance to MPs? Or could the payment be made directly by the House authorities or in some other way? Is there a case for more centralised procurement through the House of Commons authorities? If so in which areas might such procurement take place?
8. What is the best way of providing recompense to those MPs who inevitably have to spend time away from their main home on Parliamentary business?
9. How much discretion should the system allow about issues like the designation of second homes?
10. Is it acceptable that MPs should be able to employ spouses or other family members? If so, what safeguards are necessary?
11. Should receipts be required to support all claims for reimbursable expenditure?
12. What level of detail of expenses claims should be routinely available to the public without the need to make Freedom of Information Act requests for it?
13. Is it acceptable or desirable that MPs should be able to receive remuneration for activities outside Parliament? If so, should that be reflected in any way in

the treatment of their Parliamentary pay and expenses? Is there a need for further regulation or guidance on these activities?

14. Should MPs be reimbursed for expenditure incurred on newsletters and other material designed to inform the public about their work?

1.16. The Committee would welcome written submissions on any or all of these issues, including the recent proposals put forward by the Government. There is no need or requirement for respondents to confine themselves to the specific questions above. The Committee is interested in receiving evidence on any aspect of MPs' pay and expenses. Respondents are encouraged to set out fully the evidence in support of their views.

The submission of evidence

1.17. All submissions, with the exception of those that appear to the Committee to be defamatory, will be displayed on the Committee's website at www.public-standards.org.uk and be available for public scrutiny as soon after they are sent to the Committee as is practicable. They will also be published with the final report. Where there are genuine arguments for confidentiality, respondents should discuss this with the Committee's Secretary.

1.18. Submissions and further evidence in response to this paper should be sent by email to Inquiry@standards.x.gsi.gov.uk or be delivered to the following address:

Review of MPs' Expenses
The Committee on Standards in Public Life
35 Great Smith Street
London SW1P 3BQ.

1.19. Any queries about submitting evidence should be emailed to the address above, or made by telephone to the Committee's offices on 020 7276 2599.

1.20. The closing date for submissions is Friday 5th June 2009.

Public hearings

1.21. The Committee will be holding a number of public hearings in central London in June and July. Further details will be published on the Committee's website: www.public-standards.org.uk. The Committee regrets that it is unlikely to be possible to invite every respondent who expresses an interest in giving oral evidence to participate in the public hearings.

2. Membership of the Committee and its terms of reference

Membership

- 2.1. The current chair of the Committee is Sir Christopher Kelly. The other Committee members are Lloyd Clarke QPM, Oliver Heald MP, Baroness Maddock, the Rt Hon Alun Michael JP MP, Sir Derek Morris MA DPhil, Dame Denise Platt DBE, Dr Elizabeth Vallance JP, and Dr Brian Woods-Scawen DL CBE.
- 2.2. In line with the Committee's Code of Practice, Oliver Heald MP, the Rt Hon Alun Michael JP MP, and Baroness Maddock have voluntarily withdrawn themselves from this inquiry to avoid any real or perceived conflict of interest. They remain full members of the Committee for all other purposes. Details of how this will work in practice are set out in Annex B.

Terms of reference of the Committee

- 2.3. The Committee on Standards in Public Life was set up in October 1994 by the then Prime Minister, the Rt Hon Sir John Major. Its terms of reference are:

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.

- 2.4. In November 1997, additional terms of reference were announced by the then Prime Minister, the Rt Hon Tony Blair:

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

Inquiry into MPs' expenses

- 2.5. On 3 March 2009 the Committee wrote to the Cabinet Secretary, Sir Gus O'Donnell, setting out the need for an independent inquiry to be conducted into the issue of MPs' pay and expenses. On 24 March, the Prime Minister replied, inviting the Committee to conduct a review of the 'full picture' of support and remuneration for MPs, 'including outside interests [...] such as the impact of MPs holding second jobs and their roles outside Parliament.' A further letter from the Prime Minister, dated, 30 March, suggested that the Committee consider:

The case for ending the distinction between inner and outer London MPs and moving outer London MPs on to a set London allowance; and

How to compensate non-London MPs for the fact that they inevitably have to spend time at Parliament away from their home. Your consideration might include the possibility of moving away from the existing additional cost allowance to a simpler, overnight allowance that is independently determined.

In each case you may wish to consider the international experience on these issues to bring the UK in line with best international practice. You may also wish to consult the Senior Salaries Review Body.

2.6. The Prime Minister has made it clear to the Chair of the Committee that the proposals put forward by the Leader of the House on 21 April would be interim, pending the outcome of this inquiry.³

³ See footnote 1 for details of the Government's proposals.

3. Background on pay and allowances

Pay

- 3.1. Since 1970 the level of MPs' pay has been referred to an independent review body, the Senior Salaries Review Body (SSRB), with the final decision resting with the House. The latest SSRB review was published in January 2008.
- 3.2. In January 2008, the House of Commons accepted the principle that MPs should no longer vote on setting their own level of pay. Sir John Baker, the outgoing chair of the SSRB, was appointed by the Government to conduct a review and to 'make recommendations for a mechanism for independently determining the pay and pensions of MPs which does not involve MPs voting on their own pay.'⁴ He proposed that, following a review by the SSRB once in a Parliament, MPs' pay should be uprated annually in line with the Public Sector Average Earnings Index.
- 3.3. The Government accepted the proposals in principle, but proposed an alternative arrangement for the uprating – a basket of comparators to 15 public sector groups, including judges, doctors, teachers, and civil servants across several Government departments.⁵ On 3 July 2008, these proposals were accepted by the House of Commons. The Committee on Standards in Public Life welcomed MPs' acceptance that they should no longer vote on their own salaries. The first such increase (of 2.33 per cent) took effect from 1 April this year. The current salary of a Member of Parliament is £64,766 a year.

Reimbursement of expenses

- 3.4. There is a clear distinction between 'expenses' – i.e. reimbursement for actual expenditure – and allowances, which are amounts paid to cover certain costs whether incurred or not. The two terms are sometimes used interchangeably which can cause a certain amount of confusion.
- 3.5. MPs are currently able to claim for expenditure on a range of costs, including staff and office costs, travel, subsistence, and communications.
- 3.6. The nature and maximum limits on expenses claims are currently determined by MPs themselves. The SSRB conducts periodical independent reviews. But its recommendations are not always accepted by the House.
- 3.7. The Committee would welcome views on alternative mechanisms for determining the scope and nature of a system for reimbursing MPs for necessary expenditure, which respects the sovereignty of Parliament but does not leave MPs in the position of determining their own expenses system.

⁴ Sir John Baker CBE, *Review of Parliamentary Pay and Pensions*, June 2008, Cm 7416. The terms of reference for the review were set out in a Written Ministerial Statement by the Leader of the House, the Rt. Hon. Harriet Harman MP, on 23 January 2008.

⁵ The full list is: senior military, holders of judicial office, very senior NHS managers, doctors and dentists, the Prison Service, NHS staff, school teachers, the Armed Forces, police officers, Local Government; non-Senior Civil Service staff in each of the Department for Work and Pensions, Her Majesty's Revenue and Customs, the Ministry of Defence and the Home Office; and the Senior Civil Service.

3.8. The rules on what can be claimed are set out in the *Green Book*, which states that,

Parliamentary allowances are designed to ensure that Members are reimbursed for costs properly incurred in the performance of their duties.

3.9. The *Green Book* sets out a number of principles which apply to all claims, including the principle that,

Claims must only be made for expenditure that it was necessary for a Member to incur to ensure that he or she could properly perform his or her parliamentary duties.

3.10. Information about each MP's expenses claims are published by the House of Commons authorities. A more detailed publication system was recently introduced by the House. In accordance with a number of Freedom of Information requests, the House authorities are shortly due to release the receipts submitted by MPs in support of their expenses claims for expenditure covering the financial years 2004/05 to 2007/08.

3.11. On 21 April, the Government announced a number of interim proposals for reforming the current system of MPs' expenses.⁶ If accepted by Parliament, these proposals will affect expenditure on accommodation and staff. The Government's proposals have not yet been debated in Parliament.

Accommodation

3.12. MPs are expected to spend time working both in Parliament and in their local constituency. To support this, they are allowed to claim for expenditure on accommodation to cover the cost of overnight stays when working away from their main home. Since 1 April 2009 this has been named Personal Additional Accommodation Expenditure (PAAE). The maximum amount it is possible to claim to cover this cost is currently £24,222 a year. MPs may also claim a flat-rate sum of £25 for any night spent away from his or her main home on parliamentary business.

3.13. The Government have just announced proposals to replace PAAE with a flat-rate daily attendance allowance, the details of which are yet to be worked out. The Committee will consider this proposal alongside other options for reforming the current system. Some of the main issues arising with regard to current arrangements are discussed in detail below.

Designating a 'second home'

3.14. Where an MP has two homes the designation of which is to be regarded as the second one is important because the costs of maintaining the main home have to be borne entirely by the MP. The costs of the second home – including furnishing – may be met by the tax-payer. There are rules to help determine which is the second home, largely based upon the number of nights that an MP spends there. These rules have been subject to some recent criticism because they can lead to decisions which might appear counter-intuitive, for instance where an MP is able to claim that their family's main home is their second home. Under the Government's recent proposals, each MP's constituency home would always be designated as

⁶ See footnote 1 for reference.

his or her main home.

Mortgage interest payments

- 3.15. MPs have, in the past, been able to claim for mortgage interest on a second home. They have also been able to claim the costs of legal fees and other costs associated with a purchase of a home, including stamp duty, valuation and solicitors fees. The PAAE cannot be used to pay off the capital element of a mortgage.
- 3.16. Payment of mortgage interest has been justified in the past on the grounds that it offers better value for money than alternatives such as support for rental payments or the cost of an overnight hotel stay. The disadvantage is that it is effectively a subsidy for a personal investment, which gives MPs the potential to make personal benefits (from any increase in the value of the property), which they would not be able to otherwise afford. Conversely, if a property falls in value the MP would have to absorb the loss.

Maintenance

- 3.17. MPs have been allowed to claim under PAAE for expenditure incurred in maintaining their second home – including decoration, repairs, insurance and service charges, and basic security measures. MPs have had to personally absorb any proportion of the cost which raises the capital value of the property.

Furnishings and goods

- 3.18. MPs have been allowed to claim under PAAE for furnishings and other household items for their second home, which can include white goods (e.g. refrigerator, washing machine, or cooker), electrical equipment, household furniture, and other items such as cutlery and crockery. Recent changes limited most MPs to claiming only 10 per cent of the annual expenditure limit on furnishings and goods. This limit does not apply to new MPs in their first year of office.

London MPs

- 3.19. MPs with a constituency in inner London have not been allowed to claim PAAE. They receive instead a salary supplement of £7,500. This arrangement is consistent with the practice in many businesses and parts of the public sector of paying London weighting to recognise the higher costs of living in the capital.
- 3.20. MPs representing constituencies outside inner London have been entitled to claim *either* PAAE *or* the London supplement. This choice has been available among others to MPs representing outer London constituencies whose distance from Westminster may be no greater than the journeys faced by many of their constituents in commuting to work. The Government's recent proposals would restrict MPs 'within a reasonable distance of Westminster' from claiming the proposed flat-rate allowance.
- 3.21. The Committee is keen to hear views on the most appropriate means for supporting MPs who are required to work in two locations, including those arrangements recently proposed by the Leader of the House.

Administrative and office support

- 3.22. MPs can claim for the costs of running offices both in Parliament and in their local

constituency, including staffing, and equipment.

Staff

- 3.23. MPs' staff have an important role in supporting the Parliamentary process – they can assist an MP in conducting casework. They carry out research and they provide administrative support. Staff must be capable of working in a political environment. MPs are currently entitled to claim for Staffing Expenditure, which according to the Green Book is 'available to meet the costs incurred in the provision of staff to help you perform your parliamentary duties.' Staffing Expenditure covers the costs of staff salaries and National Insurance Contributions, bonuses and overtime payments, and other staff related payments such as for redundancy pay and settlements from employment tribunals. The maximum amount which can currently be claimed under this heading is £103,812 a year.
- 3.24. It is possible to use Staffing Expenditure to employ family members and a number of MPs do so. This would be regarded as a very unusual arrangement in many other walks of life though some have justified it on grounds such as the very close relationships between MPs and their secretaries, and the fact that many work out of their own homes and need to be available to their constituents at all hours. A number of changes were made to the relevant rules following a high profile breach at the beginning of 2008. Copies of all staffing contracts and job descriptions are now required to be deposited with the House Authorities. The House also now publishes a register of MPs who employ family members paid for out of Staffing Expenditure.
- 3.25. Practices vary in different legislatures. The European Parliament has recently decided that it is not appropriate for MEPs to employ family members and will be phasing it out from after the 2009 European Parliamentary elections. The review of expenses in the Scottish Parliament (published March 2008) on the other hand concluded that it was still acceptable for MSPs to employ close family members.
- 3.26. Payment of claims made under Staffing Expenditure is made by the House of Commons, although the MP is responsible for recruiting and employing his or her own staff. The Government has recently proposed that all staff appointed by MPs should become direct employees of the House of Commons.
- 3.27. The Committee is keen to hear views and evidence on the most appropriate way of recruiting and employing staff to support members of Parliament, on whether MPs should be able to continue the practice of employing family members and, if so, whether any further safeguards are needed to ensure that this is not exploited.

Other Office Support

- 3.28. MPs need to have a place to work. They also require equipment such as computers and telephones to enable them and their staff to fulfil their roles.
- 3.29. Free accommodation is provided on the Parliamentary estate for all MPs. In addition MPs may claim for Administrative and Office Expenditure (AOE) which can be used to fund accommodation and equipment for constituency offices and surgeries. It can also be used for contracting in some secretarial support. AOE may also be claimed in respect of travel for staff members and some additional UK travel for MPs, for various miscellaneous administrative costs such as interpretation and translation services, for staff training, and for commissioned work

that a member of staff might otherwise have undertaken, such as research. The maximum amount which can be claimed is currently £22,393 a year.

- 3.30. Some MPs may choose not to run a constituency office but to conduct all their work out of the House of Commons or their own home. They can claim for additional costs incurred for using their home as an office – for instance, extra telephone lines, heat, and light. They may not claim mortgage costs.
- 3.31. It has been suggested that there might be a case for a greater amount of administrative expenditure to be controlled centrally by the House authorities in the form of central procurement of office furniture and in other ways.
- 3.32. The Committee is interested in views and evidence on what other office and administrative support is required, on how should it be provided and on whether there should be an abatement of any expenses limit where an MP's home is used as an office.

Travel expenditure

- 3.33. Travel is an integral part of an MP's role. MPs are expected to be in their constituencies regularly to hold surgeries and conduct other business. Some MPs are required by the nature or location of their constituencies to travel much greater distances – and incur greater costs – than others.
- 3.34. MPs may claim Travel Expenditure to cover travel by themselves, their staff, and – to a limited degree – their families. MPs may claim for all travel between Westminster, their constituency, and their main home, as well as travel within their constituencies. They may also claim for up to three visits a year to the national parliaments of Council of Europe member states or EU institutions. Up to 24 single journeys a year can be claimed for MPs' staff. Currently MPs can claim 40p a mile for up to 10,000 miles a year and 25p for each mile thereafter for car journeys. Rail and air tickets can be claimed at cost.
- 3.35. The House authorities encourage MPs to use a House of Commons Travel Card to pay for all allowable travel by public transport. But MPs are also free to pay for travel themselves and then claim reimbursement if that is their preference.
- 3.36. One concern which has been expressed is that MPs are not required to pay for any of their travel between Parliament, home, and the constituency, whereas most employees are expected to fund their own commute from home to work.
- 3.37. MPs' spouses and civil partners are entitled to be reimbursed for the cost of up to 30 single journeys each year between London and the constituency or the MP's main home. Their children are also entitled to up to 30 single journeys, provided that they are under 18, or if over 18 are still in full-time secondary education. It has been suggested that the level of travel allowed to family members was originally set to be generous due to the anti-social hours that Parliament used to sit and has not been reconsidered since the partial move to more family friendly hours.
- 3.38. The Committee is keen to hear views on the best way of meeting the legitimate travel needs of MPs and the case for and against the reimbursement for the travel expenditure of family members.

Communications expenditure

- 3.39. MPs are expected to communicate with their constituents, responding to individual correspondence as well as keeping them informed of relevant Parliamentary matters.
- 3.40. At present there are two mechanisms designed to support communication. MPs get a limited provision of House of Commons stationery and pre-paid envelopes which they may use to correspond with individuals, including constituents, Government Departments, and other public bodies. In addition MPs may claim for Communications Expenditure, which is designed to meet the costs of producing publications such as reports, surveys, and petitions. Communications Expenditure can also be used to send out contact cards, set up websites, and advertise surgeries and constituency meetings. It cannot be used for party campaigning. The current maximum is £10,400 a year and has been fixed until 2012.
- 3.41. MPs ability to claim Communications Expenditure has attracted considerable controversy. Some have argued that it allows tax-payers money to be used to promote incumbent MPs, giving them an electoral advantage. The counter-argument is that in an age of increasing communication and access to information, the public have a greater expectation that MPs will seek their views on issues and update them on their work.
- 3.42. The Committee would welcome views on the purpose and value of the Communications Expenditure allowance and other support that may be used for communication.

Leaving Parliament

- 3.43. A Resettlement Grant is available for MPs who fail to be re-elected or who do not stand at a General Election. It cannot be claimed by MPs who leave the House during a Parliament. Depending on the length of time an MP serves in Parliament the amount of the grant varies from 6 months to 12 months salary, equivalent currently to £32,383 to £64,766.
- 3.44. It has been pointed out that workers on fixed-term contracts do not usually receive severance packages. But it has also been suggested that MPs are subject to such uncertainty about their future at election time that it is more difficult to prepare for non-Parliamentary life.
- 3.45. The Committee is keen to hear views on whether there continues to be a justification for a resettlement grant, and on how this arrangement compares to that for employees generally.

Ministers

- 3.46. The Green Book rules on expenditure claims apply to ministers in the House of Commons in the same way as to other MPs. Questions have sometimes been raised about the legitimacy of expenditure claims for ministers provided with a 'grace and favour' residences, whether they choose to live in them or not. Under the Government's recent proposals, ministers who live in 'grace and favour' residences would not be entitled to the proposed flat-rate attendance allowance.

3.47. All ministers used to be required to designate their London home as their main home, because of the requirements of their ministerial role. Although this is no longer the case, the fact that ministers are required to spend a larger proportion of their time in London, and devote more time to specific areas of Government business, may have an implication on the expenditure they necessarily incur. The Committee would welcome views on the system for reimbursing the expenses of ministers.

Northern Ireland

3.48. The Prime Minister has asked the Committee to consider the impact of the Government's proposals on a flat-rate attendance allowance on MPs representing Northern Ireland constituencies. The Committee would welcome views on this issue.

4. Administration and enforcement

Receipts

- 4.1. Claims for reimbursement of expenditure are currently required to be supported by receipts for all claims over £25. Until a decision made last year the relevant figure was £250. Unreceipted claims are currently estimated to account for less than 1 per cent of total expenditure. Even so, some observers have compared the position unfavourably with normal practice elsewhere, which often requires all expenses claims to be backed up by receipts. In 2007 the SSRB recommended that MPs should be allowed a maximum of £50 unreceipted expenditure a month,⁷ a recommendation that was not taken forward. On 21 April, the Government proposed that all claims, including those for under £25, should be supported by receipts. This proposal has yet to be considered by Parliament.

Interpretation of the rules

- 4.2. House of Commons officials in the Department of Resources are responsible for processing expenses claims. MPs may seek advice from them as to whether a claim is within the rules, and the officials are 'expected to bring to the attention of individual Members instances where they may appear to be vulnerable to criticism or accusations of impropriety.'⁸ The MPs' Code of Conduct states that:

Members shall at all times ensure that their use of expenses, allowances, facilities and services provided from the public purse is strictly in accordance with the rules laid down on these matters, and that they observe any limits placed by the House on the use of such expenses, allowances, facilities and services.

- 4.3. If an MP's expenses claim is refused by the House authorities, he or she may appeal to the Members' Allowances Committee. If the Members' Allowances Committee upholds the House authorities' decision, the MP may make a further appeal to the Members Estimate Committee to make a final ruling. Both the Members Estimate Committee and the Members' Allowances Committee are composed solely of MPs. In its report on the revised Green Book, the Members Estimate Committee stated that,

A mechanism for resolving disagreements about what expenditure is allowable under the rules and setting precedents for future claims is also needed. We decided it was important to separate the function of advising on what the rules should be [...] and that of determining how the rules should be interpreted in particular cases.⁹

Audit and assurance

- 4.4. In January 2009, the House of Commons agreed to a new audit and assurance regime for members expenses, including a 'full scope' external audit by the National Audit Office. The new arrangements were introduced with effect from 1

⁷ SSRB, *Review of Parliamentary Pay, Pensions and Allowances 2007*, Cm 7270-1, January 2008

⁸ *The Green Book*, March 2009.

⁹ House of Commons Members Estimate Committee, *Revised Green Book and audit of Members' allowances*, HC 142, January 2009, paragraph 5.

April 2009 and are intended for the first time to subject MPs expenses to an equivalent regime to that which applies to other expenditure out of public funds.

- 4.5. The Committee would welcome views on the appropriateness of the new audit arrangements.

Enforcement

- 4.6. An MP accused of breaching the rules may be investigated by the Parliamentary Commissioner for Standards. The Commissioner is an independent officer appointed by the House of Commons and has a number of responsibilities, including monitoring the operation of the Code of Conduct and investigating complaints about MPs. The Commissioner reports to the Committee on Standards and Privileges, which is formed solely of MPs. He is not able to investigate an accusation unless a complaint has first been made to him.
- 4.7. On receiving a report from the Commissioner, the Committee on Standards and Privileges may meet with the MP in question and gather further evidence before reaching a decision. The Committee's decisions are published together with the Commissioners report. In appropriate cases, the Committee may recommend to the House a range of sanctions,

If the Committee finds the complaint upheld, it may recommend that the Member make a public apology to the House. In more serious cases it may recommend to the House that a penalty be imposed, which may involve either withholding a Member's salary for a specified period without suspending the Member or the suspension of the Member (with loss of salary) for a specified period. In the most exceptional cases the Committee could recommend the expulsion of the Member. A recommendation that the Member should have his or her salary withheld, be suspended or expelled must be debated and approved by the House.¹⁰

- 4.8. The relatively recent and limited involvement of independent individuals in the arrangements for disciplining MPs for breaches of their code of conduct contrasts with the arrangements now in place for local authority councillors and other professional groups. The Committee's last biennial survey of public attitudes revealed that the public were increasingly sceptical about the authorities' genuine willingness to uphold standards and hold offenders to account.¹¹
- 4.9. The Committee is keen to hear views on how the arrangements for administering and enforcing the system of support and expenses might be strengthened.

Openness and Transparency

- 4.10. As a result of a High Court ruling on a Freedom of Information request, details of all MPs expenses, down to receipt level, are to be published. After some hesitation, the House of Commons decided not to legislate to exempt details of expenses from the Freedom of Information Act. Arrangements are currently being made to publish receipts used to support claims for the financial years 2004/05 to 2007/08. MPs are

¹⁰ *Parliamentary Standards: Guidance for Members who are subject to a complaint*, <http://www.parliament.uk/documents/upload/PCFSProcedNote3.pdf> [accessed, 08 Apr. 09]

¹¹ *Survey of public attitudes towards conduct in public life 2008* (Committee on Standards in Public Life, November 2008).

being given the chance to redact any personal information which is not relevant to the claim made.

4.11. Questions have been raised about the proportionality and potential security implications of making this information available. The Committee is interested in views on what level of information should be routinely published on MPs' expenses.

5. Other Issues

Outside interests

- 5.1. A number of MPs have remunerated interests outside Parliament, including sitting on boards of directors and advisory committees, journalism, dentistry, and farming. Details of these interests and second jobs are required to be recorded on the Register of Members' Interests.
- 5.2. In its first report in 1995 the Committee on Standards expressed the view that 'The House of Commons would be less effective if all MPs were full-time professional politicians, and MPs should not be prevented from having outside employment.'¹²
- 5.3. The MPs' Code of Conduct sets out a number of rules which impact upon those who hold outside interests:

Rule 9. Members shall base their conduct on a consideration of the public interest, avoid conflict between personal interest and the public interest and resolve any conflict between the two, at once, and in favour of the public interest.

Rule 10. No Member shall act as a paid advocate in any proceeding of the House.

Rule 12. In any activities with, or on behalf of, an organisation with which a Member has a financial relationship, including activities which may not be a matter of public record such as informal meetings and functions, he or she must always bear in mind the need to be open and frank with Ministers, Members and officials.

- 5.4. On 21 April, the Government published proposals designed to bring 'greater transparency' of MPs' second incomes. Under these proposals, Members of Parliament would have to declare all payments received from second jobs, including a description of the payment, of hours worked, and details of who paid.
- 5.5. The Committee is interested to hear views on Members of Parliament holding second jobs, whether there is a need for additional regulation or guidance to improve transparency in this area and whether there should be any implications for the expenses system in cases where MPs are drawing income for paid work outside the House.

Miscellaneous support

- 5.6. Members of Parliament also receive a range of miscellaneous resources to help them in their roles. A number employ interns at low cost. Some are provided with free researchers and assistants paid for by charities or other organisations. In addition, subsidised eating facilities are provided within Westminster. The Committee would be interested in any comments on the nature, availability or transparency of this support.

¹² First Report of the Committee on Standards in Public Life: *MPs, Ministers and Civil Servants, Executive Quangos*, Cm 2850, May 1995

Annex A – CSPL Note to the Members Estimate Committee

PRINCIPLES TO GOVERN A REVIEW OF MPs' ALLOWANCES

This note sets out the principles which the Committee on Standards in Public Life believes should be followed in the review of MPs' allowances currently being conducted by the Members Estimate Committee. It has been produced following a discussion between the Chairman of the Committee and the Speaker, and a separate discussion with the Members Estimate Committee.

It starts from the premise that it is in Members' own interest, as well as that of the public, that the arrangements for their remuneration and reimbursement of expenses should meet the highest standards of transparency, probity and accountability. It is clear from recent events and the reaction to them that the current arrangements fail to meet those standards in a number of respects. Our understanding is that a large number of MPs share that view.

We therefore welcome the decision to review the current arrangements and the steps that have already been taken, or set in train, towards greater transparency and accountability. The public credibility of the outcome of the review is, however, likely to be greater if it had been undertaken independently of the House of Commons, as with the recent review of Parliamentary allowances in Scotland conducted by a panel chaired by Sir Alan Langlands. In the event that the outcome of the current review fails to command public confidence, we may wish to undertake such a review in any event.

In the meantime, and in the absence of hearing the evidence which we would expect to take should we mount our own review, we have not felt it right to express firm views at this stage on the detail of the allowance structure. But we are clear about the principles which we would expect reforms to follow if confidence in the system and in the probity of Members of Parliament is to be restored.

The principles which we suggest should govern the review are as follows:

General

1. Members of Parliament have a duty to demonstrate leadership in the observation of the 7 Nolan principles of public life, as set out in the Parliamentary code of conduct. We expect they would wish to do so anyway.
2. There should always be a clear distinction between pay, reimbursable expenses, and the resources provided to Members to enable them to carry out their jobs effectively – accommodation, staffing, IT etc. Nomenclature should reflect this
3. The system for claiming costs incurred by Members of Parliament in performing their public duties should be based on the reimbursement of actual expenses, not on entitlement to “allowances”. Again, nomenclature should reflect this.
4. Members of Parliament should take personal responsibility for ensuring that

any expenses claimed or resources used in pursuit of their duties are properly incurred. They should be at least as careful in the spending of public money as of their own.

5. Members of Parliament should be as open and transparent as possible about their expenditure and the claims they make on public funds, subject only to data protection or security considerations.
6. Arrangements should be as simple as possible both for ease of administration and for transparency.
7. Robust but proportionate audit is needed to restore confidence. It must be shown to be sufficiently independent.

Pay

8. Members of Parliament have the right to expect to be paid a reasonable salary for the work they do.
9. But they should not be responsible for setting their own salaries, both because that creates a conflict of interest and because it exposes settlements to political pressures.

Expenses

10. Members of Parliament should be entitled to be reimbursed for reasonable expenses incurred wholly, necessarily and exclusively in the performance of their Parliamentary duties.
11. But such expenses should never be regarded as a substitute for pay.
12. Nor should Members seek any personal financial benefit from them, either directly or indirectly.
13. Wherever reasonably possible, all claims for expenses should be backed up by receipts or other appropriate documentation, available to be produced if necessary.
14. Claims should be subjected to robust audit on a sample basis using a proportionate and risk-based approach. Members should be expected to retain receipts for a set period, perhaps three years, to make this possible.
15. Maxima placed on claims for expenses should be regarded as such and not as entitlements.
16. In deciding whether to make a claim, the spirit of the rules should be respected as well as the letter.
17. There should be no double benefit for Members who are also Ministers.

Resources

18. Members of Parliament should, in line with other public servants, be given the means to undertake the duties for which they have been elected.
19. Wherever practical and economic, such resources should be centrally procured, and subject to occasional audit to ensure propriety and value for money.
20. There should be no cross-subsidisation between resources provided to enable Members to undertake their Parliamentary duties and party political activities. Preserving this boundary is important to public confidence in the arrangements and it must be rigorously policed. Where premises or staff are shared, it should be possible to demonstrate that such cross subsidisation is not occurring, and the arrangements should be subject to

occasional audit.

21. Members of Parliament should be able to select their own staff. But the need for each post should be clearly established and staff should always be employed against a contract setting out their duties. They should be able to demonstrate that they have appropriate skills for the job; and their salaries should be commensurate with their responsibilities, experience and skills. Observance of this should be auditable. Ideally all such payments should be made centrally and direct to the staff member concerned. In accordance with best practice, employment of all staff should be supported by a statement of objectives and by periodic appraisal.

Transition

22. While a transitional period may be necessary for any major changes, this should not extend beyond the next general election. Existing Members of Parliament should know the basis on which they will be remunerated and supported at the time they choose to stand for re-election. There is a compelling case for tightening up the arrangements for transparency and audit immediately.

Committee on Standards in Public Life

April 2008

Annex B – Statement on involvement of political representatives

Statement on the involvement of the three members of the Committee nominated by the three main political parties in the review of MPs' Pay and Allowances

To avoid any actual or perceived conflict of interest, the three members of the Committee on Standards in Public Life nominated by the three main political parties will not take part in the discussions or in formulating the recommendations of the Committee in relation to their current inquiry on MPs' allowances. Nor will they take part in the questioning of those giving oral evidence to the inquiry.

They will, however:

- Receive copies of all evidence submitted to the Committee. The evidence will be publicly available to anyone through the Committee's website.
- Be available on request to act as a source of information to the Committee on relevant Parliamentary issues.
- Be available to help facilitate any discussions with their political parties which may be appropriate as part of the inquiry.

They will remain members of the Committee for all other purposes during the period of the inquiry.

**Committee on Standards in Public Life
3 April 2009**

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Published April 2009