

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

E334

25th May 2009



Dear Sirs

Review of MPs' Expenses

I write to make a submission to be considered in your review of MPs' expenses. By way of background, I am a chartered accountant and during various roles in industry I have been responsible for the definition and administration of company expense schemes.

General Principles

No one can deny that MPs should have the right to be reimbursed for reasonable expenditure *wholly, necessarily and exclusively* incurred by them in the proper performance of their Parliamentary and constituency duties. However, any such reimbursement should always be clear & transparent, supported by an adequate audit trail and should not involve any element of profit for the MP.

As a general principle, the rules for the House of Commons should be no different (and certainly no more generous) than those operated by companies and other organisations throughout the country. Public confidence will only be restored in full when the public can see that the same principles have been applied to MPs expenses as used for their own, and when they can see that adequate controls have been put in place to prevent error or abuse.

How companies establish their expense policies

In reaching its conclusions, the Committee may wish to examine how companies set down and operate their expenses systems. It would seem appropriate to me for a similar process to be followed when setting a policy for MPs expenses.

For a company to be able to reimburse expenses to its staff without any form of tax liability, it must first agree a Dispensation with HM Revenue & Customs (HMRC). HMRC have laid out guidelines on the type and level of expenses that they generally consider are acceptable without providing any element of profit for the recipient. Most companies generally follow these guidelines.

Where it is believed that HMRC guidelines are not appropriate, then if a company can provide evidence in support of their argument, HMRC will agree to accept a different approach.

It seems absolutely critical to me that, for any system of expenses for MPs to have any level of public trust and confidence, the same process should be pursued with HMRC. HMRC should be allowed the opportunity to question general principles, reimbursable amounts and record keeping in exactly the same way as they would with any other organisation or employer.

I would also recommend that the Committee considers (if it has not already done so) inviting HMRC to make its own submission to the current review.

Accommodation

It is clearly necessary to recognise the need for many MPs to maintain a constituency presence and a presence in London for proper fulfilment of their duties. However it is also clearly not appropriate for MPs to make significant capital gains on property which has been partly or wholly funded at public expense. (I accept that theoretically they could make a loss, but presumably they would be unlikely to sell in those circumstances).

One option would be to provide accommodation close to Westminster on same basis as accommodation is provided to the armed forces. This would be relatively easy to administer.

The alternative is for MPs only to be reimbursed rent (up to a certain level) for a secondary residence. An MP could still then choose to purchase a secondary residence but in that event would receive no reimbursement. However they would then take any capital gain for themselves as at present.

The rules on which property counts as the primary residence and which as the secondary need to be very clearly defined. There should be no element of discretion in this. On the basis that most MPs presumably live in their constituency prior to election then it would seem reasonable to insist that the London property is the secondary residence.

There may still be occasions where it is necessary for the secondary residence to be changed (e.g. moving from one London address to another) but more frequent changes of residence ought to be identified and questioned within the expense claim process.

London MPs should not receive any form of property allowance at all (as they are presumably already resident in the capital prior to their election, and will therefore incur no additional accommodation costs as a result of their election).

There is a question to be answered as to when a property in London is required. There are many MPs with constituencies that are close enough to London to commute – and from where indeed significant numbers of their constituents commute. This would seem to suggest that MPs within a reasonable commuting distance should have no need for London accommodation – perhaps as far out as 30 or 40 miles.

Household furniture & fittings

It is a general principle in most companies that the company owns any item that has been paid for by reimbursement through expenses. I can see no reason why this principle should not apply to MPs.

However, there is an obvious administration issue with the state taking ownership (and

trying to keep track) of numerous items of furniture and other household items.

On a point of principle, I cannot see why the public purse should pay for MPs to furnish and fit out their secondary residences. On the contrary, all furniture and household items should be purchased from an MP's own pocket. The items are then theirs to subsequently sell or dispose of as they see fit.

Food

HMRC sets out very clear guidelines on the level of expenditure that they consider to be reasonable for subsistence. I believe that MPs should follow the same guidelines or provide appropriate evidence to HMRC as to why other amounts would be appropriate.

Travel

It is a general principle that costs for "ordinary commuting" should not be reimbursed. The difficulty in this case will be determining what constitutes ordinary commuting given that an MP has more than one place where they fulfil their duties. It would seem reasonable that travel from their London residence to the House of Commons should be seen as commuting. Where an MP does not have a London residence, then the commute is clearly from their constituency home.

As is common in most companies, rail travel should only be reimbursed at the cost of a standard class fare. If MPs wish to travel first class, then they should pay the difference themselves.

Leaving Parliament

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.

Where an MP is defeated in an election there may be a justification for some form of reimbursement of any redundancy payments that need to be made to staff. However there remains little justification that I can see for any other payment. Losing a seat at an election is arguably akin to an employee being sacked for poor performance; it is most definitely not the same as being made redundant.

Allowances versus Receipted Expenditure

I believe that all expense claims should be receipted. Round sum allowances should not be acceptable. Any round sum allowances that are provided should be subject to income tax.

Link to salaries

I believe that there have been suggestions in some quarters that any reduction in the current expense allowances should result in a compensatory uplift in salary. In my view this suggestion should be disregarded.

The current review is taking place because existing expense rules have been proven to be inappropriate and have allowed reimbursement of expenditure that is not directly related to Parliamentary or constituency duties, and which would not be permitted in other

organisations. The fact that MPs might "lose out" because a proper set of rules is put in place in my view provides no justification at all for a compensatory uplift in salary. They should not be compensated for losing reimbursements that would not have been made in the first place had a proper set of rules been in place.

I would further submit that any compensatory uplift in salary would be seen by the general public in a very negative light and could further undermine public trust in MPs.

In any case, I believe that MPs are already well paid for the job they do and probably earn considerably more than most of their constituents. They only have outside appraisal of their performance/competence at election time. How much work they actually do and what contribution they make is entirely down to their conscience. This position should be contrast with a lesser paid constituent who has to justify their attendance and performance on an almost daily basis to their line manager.

Yours faithfully

H Bayliss