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Comments for the Review of MPs' Expenses by the Committee on Standards in Public Life

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Comments for the Review of MPs' Expenses

by the

Committee on Standards in Public Life

- **Summary of proposals**
 - **Abolish PAAE and most other allowances**
 - **Double MPs' salaries – at least - within three years**
 - **Require immediate independent setting of salaries, allowances and a new suite of very limited allowances/agreed expenses**
 - **Introduce annual, formal, performance appraisals – with sanctions - for all MPs at constituency level**

Recent news

Thursday, 18th June, 2009

The part publication on 18th June of only some of the details of MPs' expenses over the past four years just goes to show how hugely out of touch our Parliamentary representatives are with the public that elects them and, ultimately, pays their salary, expenses and most generous allowances.

How can politicians believe that the limited information which they agreed (through the Department of Resources, presumably) to release would satisfy the general public's demand for transparency and honesty? Politicians' collective view that the electorate's reasonable requirements in this regard might be assuaged by such a low level of disclosure, particularly after all the revelations in The Daily Telegraph, itself indicates that our MPs either or together:

1. really do live in a different world from the rest of us; and/or
2. are unbelievably arrogant; and/or
3. demonstrate such insensitivity about their expenses that their competence in making decisions on other – much more significant matters – must be called into question.

Background

We all now know that, at last thank goodness, everyone agrees that the current system of MPs' expenses – a system proposed, agreed and enjoyed by all MPs over a good number of years – must be changed fundamentally and urgently.

Why has this situation been allowed to continue for so long? Surely because MPs themselves believe that they are seriously underpaid, so to maintain the fiction in the public mind (or so they hoped) that they are only moderately

remunerated, they devised and acquiesced over a long period in a system where only one third to one quarter of their annual Parliamentary income (allowances + pensions + salary) is taxed.

No wonder the electorate believes politicians to be dishonest and grasping – remote from ordinary members of the public; because, in this at least, they are!

What other group - apart, perhaps, from UK royalty – pays so little tax on the vast majority of their income and can benefit from such a generous raft of benefits (eg pensions, adjustment payments, etc) and allowances.

What other section of the public enjoys such a lax expense claim process, so little accountability when making expense claims and such infrequent reviews of their performance (normally only once in every 5 years).

This claim sets MPs apart, in an elite and protected class all on their own. Perhaps it is this which separates them from the rest of us so effectively.

The Future

Now, the role of an MP is, or at least should be, a very responsible one. Parliament has ultimate control over the whole of the population's wealth and can (for example, in times of war) exercise the power of life and death, let alone manage the economy and foreign relations, defend the nation, etc.

This must mean that MPs should be paid a wage commensurate with these responsibilities and one which is of a sufficient level for the general public to be able to expect the necessary skill, probity, dedication and expertise to be available in those holding such a responsible position in a public office.

It cannot be right that the Prime Minister earns in a *year* a salary broadly the same as Cristiano Ronaldo is reputed to be earning in a *week* at Real Madrid – about £180,000. It cannot be right that a backbench MP earns a (taxable)

salary in a year that is just one third of what Cristiano Ronaldo earns in a week.

This low level of salary greatly devalues the role of an MP; it reduces the public's expectation of the skills and dedication that MPs should all have when carrying out such an important job; and so it makes it more difficult for them to be held to account for failure or incompetence.

The inevitable conclusion of this situation is that MPs' salaries should be very substantially increased (while their expenses and allowances are significantly reduced and their public accountability is substantially increased).

To address specific points in the paper, "Review of MPs Expenses - Issues and Questions – April 2009", and following the numbering in paragraph 1.15 of that document, I have these comments:-

1. Proper and Acceptable System

Salaries should reflect the level of skill and responsibility we should expect from MPs, but must be independently set and reviewed annually (just as is usual in business in the UK).

Expenses and allowances should also be independently set and reviewed and should be greatly streamlined from those currently available.

Expense claims should be independently reviewed and authorised and full details should be published no less than annually. The independent reviewer should have access to all relevant information, even if some is not publicly available (eg: addresses, bank account details).

2. Setting Expenses and allowances (writing the Green book)

MPs cannot continue to set their own allowances (or approve their own salaries). There is no objective reason against the Senior Salaries Review Board ("SSRB") setting expenses and allowance levels and approving increases.

3. MPs' Resources and range of expenses

MPs are not adequately resourced to carry out properly and effectively the tasks expected of them. As a result, their role is under-valued and expectations of success or achievement are set at too low a level – lower than that which the electorate is entitled to expect from those who, collectively at least, wield such power.

- MPs should be supplied with adequate secretarial, research and constituency support by staff employed by Parliament (or other third party supplier) payable directly from public funds and not through MPs' allowances.
- As argued previously, MPs' salaries should be greatly increased, at least doubled over the next few years.
- Office facilities should be provided at the cost of the Government and be payable (up to a reasonable maximum level depending on particular circumstances), directly from public funds and a core central provider.
- The PAAE, AOE and SE should be abolished. MPs that need secondary accommodation should be provided by Government funded accommodation or a nightly allowance (perhaps based on the cost of an overnight stay in a reasonable quality hotel).
- Resettlement allowances should be reduced significantly.

4. Policing expenses

The approval and payment of MPs expenses must be carried out independently. MPs should be subject to the same standard of expense claims rules that apply in business, eg *all* claims must be justified by receipts.

5. Personal advantage from expenses

This must not be allowed. It is obvious what abuse and public distrust has arisen from the current expenses system and this must no longer be capable of allowing MPs to take personal benefit from their allowances claim.

Of course, MPs must be properly paid and a quid pro quo for reducing allowances and expenses is to increase salaries (see ante).

Particular points here include:

- "Flipping" of second homes must be abolished.
- Sections 291 to 295 of the Income Tax (earning and pensions) act 203 (giving MPs special exemption from taxation of their generous allowances, thus additionally strengthening their unique, elite, class, the 'Parliamentocracy') must be repealed.

6. A Radical Simplification

The present, widely abused and wholly distrusted system, screams out for radical reform along the lines set out in this paper. Principle proposals to achieve this are:

1. abolish the Personal Additional Accommodation Expenditure, Additional Office Expenditure and Staffing Expenditure allowances;
2. at least double MPs' base salary over, say, the next three years;
3. introduce annual, not 5-yearly, compulsory, constituency-based performance appraisals (see details at the end of this paper), which (as in the public and private sectors) will ultimately carry the sanction of dismissal (or, in Parliamentary language 'recall');

4. repeal relevant provisions of the Income Tax (Earnings and Pensions) Act 2003 (sections 291-295), which provide munificent tax free allowances for MPs and other member of the Parliamentocracy;
5. review all Green Book allowances and expense entitlements and MPs' benefits to align them more closely with benefits and allowances generally available in the private and public sectors (for example, convert the gold-plated defined benefit pension scheme into a defined contribution scheme).

7. Direct or indirect expense reimbursement

The current system of indirect reimbursement of expenditure through MPs themselves has clearly led to abuse and is wholly contrary to the first of the Seven Principles of Public Life – that 'holders of public office ... should not ... gain financial or other material benefits for themselves...'

What greater example can there be of obtaining financial benefit than the right MPs have to an exemption from Capital Gains Tax on the disposal of their second homes?

Maximum annual allowances should be established for the cost of providing office, staffing, research, communication and other properly necessary expenses directly associated with the activities of being an MP. All such services should be sourced (when practicable), funded and paid for centrally. There would then be no requirement (as now) for MPs to claim the maximum of such allowances – they could, as some do already – exercise some personal discretion in this area.

8. Overnight expenses for staying away from home

Why not adopt the usual – and very simple – practice normally operated in the public and private sectors? Set a maximum allowance

– as mentioned before, based on the cost of an overnight stay in a reasonable quality hotel and of subsistence. Claims for overnight stays should be supported by receipts (or could be booked and paid for centrally).

An alternative would be for the government to provide accommodation for MPs (and members of the House of Lords, for that matter) in London by way of buying or developing suitable properties (apartments, for example). Units of such accommodation could be made available on the same basis to central or outer London MPs on an ad hoc basis should this ever be necessary (eg late night central London meetings or sittings at Westminster).

This way there would be no need for the discredited PAAE and all the problems that has caused, yet again further reinforcing the Parliamentary super-class.

9. Discretion as to second homes

No such discretion should be allowed. Under the proposals in 8 above, there would be no need for a ‘second homes allowance’.

Just why should be public pay this expense? What is the justification for an MP to have a second house – in some cases a large and elaborate mansion, in fact (eg Sir Douglas and Lady Hogg) paid for by the taxpayer? Yet again, MPs have created an exclusive and very limited class all of their own (the Parliamentocracy), yet further removing and alienating themselves from their electorate.

10. Employing the family

Yes, this is acceptable, but only if such employees are engaged through a central recruitment/HR function, are paid directly by that, or a similar, service unit and, like MPs under these proposals, are subject to an objective annual performance assessment.

11. Receipts

Of course, receipts must be required for all reimbursable expenses. It almost defies belief that such evidence has not been required over so many years in the recent past. Indeed, it demonstrates such a lax and carefree attitude to the way in which MPs have managed public funds in this connection, that it must call into question their ability to manage the nation's finances in a competent manner.

12. Availability to the public of expense details

As mentioned above, full details of expense claims and allowance usage should be disclosed at least annually via Parliament's website. It must be acceptable that limited personal details (eg home addresses, bank account and staff details) should be excluded from public disclosure, but all such information must be made available to and scrutinised by the independent expense authorisation process (see 1 above, page 5).

13. Second jobs

It is very, very tempting to propose that MPs should be barred from holding jobs other than that of being an MP, particularly if they are to be paid substantially higher salaries than at present.

However, it is most important that MPs do not, as now, lose touch with the communities they claim to serve and so I believe that second jobs should be permitted, but within strict limits as to time spent on them. Such limits, whilst subject, perhaps, to a maximum number of hours to be spent being involved in such outside activities, could be negotiated with local constituency parties or the annual appraisal body, this being the mechanism I propose to monitor MPs' performance on an annual basis.

There are posts, eg non-executive directorships of private, public and charitable sector bodies, trusteeships, for example, which would not require a major time commitment, but which would expose MPs to the realities of life outside Parliament and to the practical consequences of some of the legislation which they are so ready to impose on the public.

14. Communications expenses

Of course MPs should have the cost (subject to an upper annual limit significantly more generous than now) of communications costs paid on their behalf. We are, rightly, criticising MPs for a failure to communicate, not only in relation to expenses, for example, but also at election times. In my area, there was a real paucity of information about the candidates standing for election on 4th June and about the policies each party would promote.

No wonder the public at large claim disinterest and, sometimes, ignorance about the issues at stake in elections.

Conclusion

I hope my ideas are of some interest. It will take really firm leadership to introduce these proposals, but they offer:

- a possible route to **bring MPs' remuneration (and taxation) more into line with that enjoyed or suffered by most of the general public;**
- a way to **reduce the gulf that now exists between the electorate and the Parliamentary 'super class';**
- a structure that should still **incentivise MPs to work diligently and skilfully in the interests of their constituents and the country;** and

- a mechanism to **reduce the opportunity for creative, fraudulent and/or immoral expense claims, whilst increasing MPs' accountability** to the public at large, to their constituents and Parliamentary authorities.

I should, of course, be happy to provide the Committee with further explanation and details of my proposals, perhaps at one of your public hearings, should this be of interest.

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Notes on annual appraisals

The main reasons for an annual appraisal for all MPs are:

- to increase MPs' accountability to their constituents by providing a formal structure in which to carry out an annual review of performance and achievement
- to require MPs to align themselves more closely to and experience the forms of control and review to which very many ordinary members of the public are subject
- to provide a framework within which MPs can be encouraged to change aspects of their performance and, ultimately, to require them to stand down ('recalled') in cases of major under-performance or clearly improper behaviour.

Such a procedure would require MPs to become much more accountable to their constituents than they are at present, an aim espoused regularly over the past few months by very many MPs, so there should be few, if any, objections to this proposal.

The format of these appraisals should be set by the SSRB or a similar independent body, but should be conducted by a panel of 6-10 of each MP's constituents picked proportionately from those political parties who gained, say, the three highest number of votes in the latest election in the constituency. The (detailed) results of the appraisal should be published on the parliamentary website.

These steps should increase 'democracy' at a grass roots level and publication would increase MPs' accountability – both aims which many MPs have been trumpeting since the expenses scandal became hot news and to which, therefore, they should have no objections.