

SUBMISSION

From

Sir Stuart Bell MP

To

THE COMMITTEE ON STANDARDS IN PUBLIC LIFE

1st June 2009

Contents:

<i>I. Introduction</i>	<i>3</i>
<i>II. Financial Quality Assurance</i>	<i>12</i>
<i>III. Staffing Expenditure</i>	<i>19</i>
<i>IV. Personal Additional Accommodation Expenditure (PAAE)</i>	<i>23</i>
<i>V. Calculation of PAAE</i>	<i>27</i>
<i>VI. Travel Allowance</i>	<i>30</i>
<i>VII. Communications Allowance</i>	<i>33</i>
<i>VIII. Housing</i>	<i>35</i>
<i>IX Resettlement Grant</i>	<i>37</i>
<i>X. Conclusion</i>	<i>40</i>
<i>XI. Summary of Recommendations</i>	<i>41</i>

Annexe I: Parliamentary Services Authority

Annexe II: Employment of Members' Staff

Submission by Sir Stuart Bell MP, Member of Parliament for Middlesbrough 1983-, Member of the House of Commons Commission 2000- and Member of the Members Estimate Committee, making this submission on his own behalf.

1. Introduction

- 1. The House of Commons faces many challenges in the modern era.*
- 2. Members must continue their close scrutiny of government legislation and hold the executive to account. There is representation on standing and select committees, involvement in the legislative process which covers primary, secondary and European legislation, and of course participation in debates on the floor of the House of Commons as well as in Westminster Hall.*
- 3. There is an increased work load from constituents in an age of instant communication, the computer age and an age of proper and pertinent media scrutiny that extends from the national to the local press; that press may be written, be radio or television. The expectations of accountability are greater than they have ever been, which is perfectly appropriate, and if the Member is usually the final source of redress he must deal with all manner of personal problems, inter alia: family problems, problems of asylum and immigration, housing and social problems, problems of maladministration or perceived injustice at the hands of bureaucracy whether national or local.*

4. *The Member must intervene on the constituent's behalf and call to account this bureaucracy and other organisations; he may call in aid local authorities, Ministers of the Crown or government departments.*
5. *The House has long recognised that there is a need for greater accountability to the electorate with greater transparency, and that whilst being a Member of Parliament is a privilege in a representative democracy the role carries responsibility to ensure that taxpayers' money disbursed by way of allowances is appropriately spent and open to public review.*
6. *Regrettably, this has proven not to be the case with many Members, though the vast majority of Members are able with equanimity to face their own constituents in regard to their own claims. The impact and gravity of those perceived to have made inappropriate claims, however, cannot be under-estimated.*
7. *Nevertheless, on 24 January 2008 the House referred to the Members Estimate Committee recommendations on Members' allowances made by the Senior Salaries Review Board (SSRB). The Committee agreed to carry out a root and branch review of all allowances, ruling nothing in and nothing out, but accepting that to leave arrangements for allowances as they were was not an option. The Committee recognised that in accepting the remit of the House it was for the House itself to decide on any changes to the allowances system.*
8. *When the Committee reported its root and branch review and changes to the allowances system 3 July 2008 the principle among these were turned down by the House on a free vote. The vote revealed that the*

House was not prepared to put its own affairs in order and, given events since, the Committee on Standards in Public Life agreed to conduct its own independent review, before which this formal Submission is now placed.

9. *Some of the points in this Submission may well have been reflected in the House of Commons Members Estimate Committee: Review of Allowances, Third Report of Session 2007-08 Volumes One/Two HC578-1 and 2 and published 25 June and 2 July 2008.*
10. *There were six hundred and forty-six Members elected at the General Election in May 2005 who took their seats; they represent rural, urban-rural and urban constituencies.*
11. *Few Members have the same method of working, problems are different as they arise from different constituencies and different communities; and whilst the allowance system developed over the years was uniform it was not homogeneous. Members have been able to choose within the system their own method of working best adapted to meet the needs of their constituents.*
12. *Members themselves are diverse in their approach, reflecting the diversity of the British people.*
13. *But regardless of the approach their work is carried out against a background where the House of Commons as an institution has not recognisably changed since the nineteenth century and remains part of a Palace of Westminster.*
14. *Prior to the present explosion of interest in Members' allowances, attention of the House had already been drawn to the laxity of some*

individual Members over the years that brought the House into disrepute; there was criticism of insufficient audit of individual claims, and whilst the House itself dealt severely with individual Members, their conduct lowered all Members in the public esteem. This is even more the case now following the publication of receipts.

15. *The House on 3 July 2008 failed to take the requisite steps to restore its reputation in the eyes of the public upon whom it depends, but where the public also depends upon it to serve their interests both locally and nationally.*
16. *It is for this reason that this independent enquiry of the Standards in Public Life Committee assumes a constitutional importance requiring time and patience and understanding, taking fully into account the House of Commons Review of Allowances Report Volumes One and Two 25 June and 2 July 2008 HC578-1-2 and the Review Body on Senior Salaries Report No.64 of Parliamentary Pay and Allowances 2007 CM7270-2 dated 24 July 2007 and published in January 2008.*
17. *Underpinning both these reports are the general principles of conduct identified by the Committee on Standards in Public Life, known as the Nolan principles. These were adopted by the House July 1995 under the title Code of Conduct for Members and are to be found in the Green Book.*
18. *The independent enquiry will also no doubt take into account the decisions of the House 30 April 2009 that:*

Members' Allowances (Greater London)

- *with effect from 1 April 2010 no distinction shall be made*

for the purposes of the rules governing Members' allowances between an hon. Member who represents an inner-London constituency and an hon. Member who represents any other constituency the whole of which falls within twenty miles of the Palace of Westminster ;

Registration of Members' Financial Interests

(1) that for the purpose of complying with the Resolution of the House of 22 May 1974 relating to Registration of Members' Financial Interests in respect of interests falling within Category 1 (Directorships), Category 2 (Remunerated employment, office, profession, etc) or Category 3 (Clients) hon. Members shall furnish the Registrar with the following particulars:

- (a) the precise amount of each individual payment made in relation to any interest,*
- (b) the nature of the work carried out in return for that payment,*
- (c) the number of hours worked during the period to which the payment relates, and*
- (d) except where the disclosure of the information would be contrary to any legal or established professional duty of privacy or confidentiality, the name and address of the person, organisation or company making the payment*

- (2) *That such interests shall be registered whether or not their value in any given year exceeds one per cent of the current Parliamentary salary;*
- (3) *That the provisions of this Resolution shall apply whether or not the interest in question depends essentially upon, or arises out of, the hon. Member's position as a Member of Parliament;*
- (4) *That the provision of this Resolution shall come into effect on 1 July 2009.*

Members' Staff

- (1) *That, in the opinion of this House, staff who work for an hon. Member should be employed by the House, as a personal appointment and managed by the hon. Member; and*
- (2) *That the House of Commons Commission shall consider this decision and make recommendations for its implementation, including any transitional arrangements which may be necessary, by 29 October 2009*

Members' Allowances (Evidence of Expenditure)

That in respect of any claim for payment made by an hon. Member after 1st July 2009 in relation to any allowance or expenditure for which documentary evidence is required, such evidence shall be required regardless of the sum concerned.

19. *The independent enquiry will also no doubt take into account the up-to date version of the House of Commons Green Book, a guide to Members' allowances, operative from 1st April 2009, with subsequent*

changes that came into effect by edict of the Members Estimate Committee on 20 May 2009, to wit:

- *the Department of Resources must apply a clear test of reasonableness to every claim. If there is any doubt about the eligibility of the claim it will be refused. There is no appeal from such refusal ;*
- *that the Personal Additional Accommodation Expenditure (PAAE) Allowance may only be used to claim rent, including ground rent, hotel accommodation, overnight subsistence, mortgage interest, council tax, service charges, utility bills (gas, electricity, oil, telephone calls and line rental), insurance (building and contents) ;*
- *the provision allowing a change of designation of main and additional homes once in any year (Paragraph 2.1.5 of the Green Book) has been removed. Members may not swap the respective designations as between their main home and additional home, subject to appeal in exceptional cases to the Committee on Members' Allowances and further appeal, if rejected, to the Members Estimate Committee ;*
- *Members selling any property must inform the tax authorities whether they have claimed Additional Costs Allowance or PAAE on that property as an additional home and are liable for capital gains on it. Members must make a declaration in respect of any property on which they are claiming PAAE that it is not their main residence for capital gains tax purposes. Whether such a declaration has been made will be made public ;*

- *Members who are married to each other or are civil partners must nominate the same main home and are limited to claiming a maximum of one person's PAAE between them ;*
 - *There will be a cap on mortgage interest claims and claims for hotel accommodation of £1,250 per month. Rent under any new rental agreement made after 19 May 2009 on a new property is also capped at £1,250 per month, and existing rental agreements must be submitted to the Department of Resources which has been instructed to scrutinise them rigorously.*
20. *The Members Estimate Committee agreed that the above provisions would apply to any expenditure incurred after 19 May and any claims received by the Department of Resources after 1st June 2009.*
21. *Also on 19 May the Leader of the House, the Rt. Hon. Harriet Harman QC MP, on the question of reassurance, referred to the fact that the threshold for receipts had gone down from £25 to zero and that the House had already voted to introduce full-scope audit under the National Audit Office. The Leader of the House also declared that the House needed to fully restore public trust and public confidence, to have more than reparation and reassurance. It needed renewal.*
22. *The Leader of the House committed the government to switch from self regulation to independent external regulation, taking from the House the power to enforce its own rules. To this end, it would put forward proposals for a new Parliamentary Standards Authority, which after*

consultation would see introduced legislation that would delegate specific responsibilities to this Authority that would be independent.

23. *In the words of the Leader of the House, the new Parliamentary Standards Authority would:*

- *revise and update the Code of Practice for Members of this House ;*
- *investigate complaints where a Member of this House is alleged to have breached the Code of Conduct ;*
- *take forward the implementation of the recommendations of the Committee on Standards in Public Life as to allowances ;*
- *take responsibility for authorising claims for payment under the new allowance system ;*
- *as well as disallow claims to be able to require payback of claims wrongly paid out and be able to impose financial penalties ;*
- *maintain the register of Members' financial interests, including disclosure of second incomes.*

24. *How such a Parliamentary Standards Authority would operate in practice has yet to be the subject of consultation and debate, but the author of the present Submission adds by way of Annexe I his own proposals by way of guidance to the Committee.*

II. Financial Quality Assurance

25. *The Members Estimate Committee, when reviewing Members' allowances, in accordance with the remit of the House 24 January 2008, learned of arrangements for 'practice assurance' introduced by the Institute of Chartered Accountants in England and Wales in 2004. This involves a specially-trained team visiting firms of professional accountants once every six years or so.*
26. *They assess their processes and practices against a set of principles-based standards, through a combination of interviews and examination of documentation. The team reports initially to the firm itself, with any recommendations for improvements, with summary reports being presented to a committee of the Institute.*
27. *This form of friendly but robust challenge ensures that the firm's practices meet the required professional standard and that the people operating them are competent to do so. It also contributes to the confidence the external auditors have about control systems.*
28. *Applying a similar approach to Members' allowances would require the creation of financial quality assurance teams either set up within the Department of Resources or provided by an external professional assurance firm. The merits of an external professional assurance firm would:*

- a. be seen as independent by the public, working to professional interest standards;*
 - b. be seen as independent by Members, so more acceptable to them;*
 - c. be more comfortable in challenging Members.*
- 29. At this time, assurance essentially lies with the Member who makes the claim, but it would be in the public interest that this should pass to independent financial quality assurance teams and independent external audit.*
- 30. However, under the proposed introduction of quality financial assurance and independent audit, it would continue to be the role of the National Audit Office (NAO) to consider whether payments from the House of Commons Members Estimate Committee are supported by Members' claims, whether expenditure claimed is paid from the relevant allowance, and that the House has properly accounted and validated these claims.*
- 31. Under this proposed new system, there would be required that each Member hold at his place of work adequate documentation to support allowance claims, and such documentation would provide, through financial quality teams, both the Department of Resources and eventually the independent auditor the assurance they need.*
- 32. Members would be required to provide sufficient evidence to the financial quality assurance teams that their allowance claims were in accordance with the framework of clear rules laid down in the Green Book. Such evidence would provide assurance to the Department of Resources, who would validate the claims, as well as providing the*

independent auditor with the evidence required to give external assurance.

33. *The financial quality assurance and the independent audit would be carried out by entirely different firms.*
34. *Improved assurance consistently sought by the NAO can be achieved, firstly by strengthening and clarifying the rules and guidance on a Member's allowances, and secondly by enhancing the framework of controls exercised by the Department of Resources through independent financial quality assurance teams and independent auditors to ensure compliance with these rules.*
35. *The financial quality assurance teams and independent auditors would both have the capability of seeking beyond the Member's signature. This is an important and significant change from present procedures and provides more assurance.*
36. *The establishment of clear rules and a stronger framework of control would enable the House to remove the current limitation on the scope of the Comptroller and Auditor General's audit engagements. This would put the House of Commons Members Estimate Resource Account 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.*
37. *The financial quality assurance teams would be able to provide the following types of report to the Department of Resources that would facilitate the audit task:*

(a) a regular global view of the general level of adherence of Members to the framework of rules and regulations ;

- (b) reports to the Members themselves on gaps in the practices and how they might be improved ;*
 - (c) reports to the Department of Resources for onward transmission to a House oversight committee on any matter which might require the oversight committee's intervention;*
 - (d) this oversight committee would report to the Parliamentary Standards Authority once this has been created.*
38. *Quality assurance would provide the House with assurance over the claims process.*
39. *Thus the financial quality assurance teams would have access to the Members' records held by the Members themselves. In order for Members to provide the level and quality of financial reports needed to satisfy professional audit standards, the Department of Resources would supply each Member with appropriate systems and structures and software.*
40. *It is recognised that it may take some time for Members to adapt to these professional audit standards and there would be a year of transition to assist Members with this. Members would be assisted through this transition by financial quality assurance teams. The teams would assist Members with problems and assess the robustness of a Member's systems for ensuring they were adapting to the new models and meeting their Green Book responsibilities. There would be interviews with*

Members and office managers and sample checking of records at Westminster and in the constituency.

41. *The financial quality assurance teams would initially report to the Member, advising the Member of any problems they found during the assurance. They would conduct interviews with Members and office managers and, by representative sample, check records at Westminster and in the constituency.*
42. *Reports to individual Members by the financial quality assurance team on internal controls systems and procedures should be supportive but challenging. They might include comments on matters such as :*
- *examples of where public finance has been well used;*
 - *the evidence base and adequacy of record-keeping;*
 - *any inadvertent or unknowing failures against the standards;*
 - *any intentional or reckless failures against the standards;*
 - *any repetitive failures;*
 - *whether failures have been remedied and, if so, how?*
43. *The introduction of financial quality assurance would have the following advantages:*
- *to help Members compile and record better evidence of their claims;*
 - *to take account of the uses to which Parliamentary resources have been put rather than verifying only the initial expenditure;*
 - *to clarify rules and guidance;*
 - *to set a standards framework;*
 - *to improve office systems and avoid errors;*

- *support both internal and external audit.*

44. The quality assurance scheme proposals would ensure that in claiming Parliamentary allowances Members should:

- a. comply with the Code of Conduct for Members and Green Book rules;*
- b. ensure that those making allowances claims are equipped to do so;*
- c. ensure that the quality and verifiability of claims are monitored.*

45. Following the transition year, quality financial assurance teams would visit 25% of Members' offices each year in order to ensure that expenditure is:

- a. proper and regular ;*
- b. achieves good value;*
- c. verifiable.*

46. This would involve the examination of claims against allowances of an individual Member for twelve months prior to the inspection date. The financial assurance teams would expect to visit all Members' offices after the transition year over a full Parliamentary cycle. The new regime would provide for each Member a source of reassurance and be a source of good practice and advice on how each Member could run his or her office in compliance with the framework of clear rules.

47. The financial quality assurance teams would test a sample of allowance transactions to ensure that evidence was available to support the validity

of the claim and also check that each transaction had been processed in accordance with this framework of clear rules within the Green Book.

- 48. The financial quality assurance teams would report on a quarterly basis within a framework of the proposed Parliamentary Standards Authority the government is committed to setting up pursuant to the statement 19 May 2009 by the Leader that will introduce independent statutory regulation of the financial affairs of the Commons and its Members.*
- 49. Linking to financial quality assurance, there should be a yearly audit at their place of work, either in their constituency or Westminster office or both, of 25% of Members chosen at random. The independent audit would be an audit of all a Member's allowance transactions.*
- 50. This proposal is in line with the Recommendation of the Senior Salaries Review Body (SSRB) in their Report No.64 of Parliamentary Pay, Pensions and Allowances 2007 CM7270-2. The audit would be carried out by the National Audit Office (NAO)*
- 51. A full analysis of the operation and viability of audit and financial quality assurance may be found in EV1 Volume II Members Estimate Committee, Review of Allowances, Third Report Session 2007-08 published 2 July 2008 HC578-1-2.*

RECOMMENDATIONS

The above broadly replicates the report on the Review of Allowances published on 25 June 2008 with the modification that it is recommended 25% rather than 20% of Members be subject to a yearly audit chosen at random:

- *that there should be a robust new system of financial quality assurance involving regular financial health checks on records kept and processes used in Members' offices with outside professional teams covering about 25% of Members each year and every Member each Parliament ;*
- *that the scope of audit engagement be extended so that it is the same for other public bodies and that the NAO sample claims paid on one or more transactions relating to at least 25% of Members each year.*

III Staffing Expenditure: Employment of Relatives

- 52. The Committee on Standards and Privileges issued two reports concerning the employment of family members or partners remunerated through the staffing allowance.*
- 53. That Committee also proposed and the House endorsed that the employment of relatives as staff should be disclosed in the Register of Members' Interests (Sixth Report 2007-08 HC 383 Employment of family members through the Staffing Allowance: Proposals for consultation and Seventh Report 2007-08 HC4636 Employment of family members through the Staffing Allowance approved by the House on 27 March 2008).*
- 54. That Committee did not, however, tackle the issue of whether it is appropriate for relatives to be employed at public expense.*
- 55. This is the practice in most Parliaments but is not permitted in the United States Congress or German Bundestag.*

56. *Much greater transparency has come from the full disclosure of employed relatives, together with their category of employment from 1st August 2008.*
57. *A review of allowances in the Scottish Parliament noted that ‘we do not consider it right to disqualify relatives from being employees purely on that basis, we believe that Members should take a cautious approach in considering whether or not to employ a close family member’. (Independent Review of Parliamentary Allowances – Report to the Scottish Parliamentary Corporate Body on the Reimbursement of Expenses for Members of the Scottish Parliament paragraphs 5.10 and 5.13.)*
58. *The Committee on Standards in Public Life, in its ‘Principles for MPs’ Allowances’, declared that Members should be able to select their own staff including, arguably and where appropriate, family members. But the need for each post should be clearly established and should always be employed against a contract setting out their duties.*
59. *The Committee felt that such employees should be able to demonstrate that they have appropriate skills for the job and that their salaries be commensurate with such skills, responsibilities and experience. Observance of this should be auditable and 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.*
60. *When the Members Estimate Committee studied this, prior to the debate of its recommendations 2 July 2008, many Members expressed their wish*

to retain the responsibility for appointing and directing their staff. In a survey of Members' opinions, one third of Members favoured the proposal of central employment but fifty-five per cent were against. The example of central employment by the Greater London Assembly was often cited as well as foreign legislatures who operate such a system.

61. The question of whether staff should be employed centrally is a matter for the House of Commons Commission who must report to the House by 29 October 2009.

62. However, the author of this Submission has put forward his own proposals which, for the guidance of the Committee, may be found appended herewith as Annexe II.

63. In relation to relatives, however, most Members would say that these persons who work for Members, notwithstanding publicised exceptions, are high-quality employees who give good value for appropriate salaries; and in the case of a spouse or partner it may be requisite on grounds of mutual knowledge of the work undertaken by the Member, knowledge of the constituency, and the requirement to live in two places.

64. The SSRB in its Review of Parliamentary Pay, Pensions and Allowances 2007 CM7270-2 declared that Members need to employ staff as caseworkers, office managers, and to provide office and secretarial support. Members are employers with employers' obligations, but the Department of Resources provides guidance to Members on pay scales and work categories. Members can currently employ up to three full-time equivalent paid staff.

65. *However, Parliament should accept the dictum of the Scottish Parliament, that a Member should be 'cautious' in considering whether or not to employ a close family member.*
66. *It should not therefore be appropriate to extend employment by a Member beyond one family member, relative or partner to fulfil the duties required other than for an additional family member, relative or partner to be employed on a short-term contract or for work experience, provided their duties fall within the definitions laid down by the SSRB.*
67. *The definition of partner is laid down in The Green Book, that is one of a couple, whether of the same sex or of the opposite sex (the other being a Member) who although not married to each other or civil partners are living together and treat each other as spouses.*
68. *Clearly no family member, relative or partner should be made redundant if the rule of one family member, relative or partner only be employed by a Member; rather it should be phased in and where a family member, relative or partner leaves would not be replaced by another such person, until such time as every Member could only be in a position to employ one such person other than on the terms set out in Paragraph 66 above.*

RECOMMENDATIONS

The House is looking at whether it is appropriate to centrally employ a Member's staff through the mechanism of its proposed Parliamentary Standards Authority (see Annexe II) and this should be supported by the Committee.

The principle should be accepted that a Member may only employ one family member, partner or relative, this to be phased in to avoid redundancies of present employees, but where a Member employs more than one person in the above category that person shall not be replaced on leaving, until such time that only one family member, partner or relative is employed by any Member other than on a short-term contract or for work experience.

IV Personal Additional Accommodation Expenditure (PAAE)

69. The Personal Additional Accommodation (PAAE) follows on from the Additional Cost Allowance and was introduced 1st April 2009. It has since been modified and, as indicated earlier, allows for claims for the following:

- a. rent, including ground rent ;*
- b. hotel accommodation;*
- c. overnight subsistence;*
- d. mortgage interest;*
- e. council tax;*
- f. service charges;*
- g. utility bills (gas, water, electricity, oil, telephone calls and line rental)*
- h. insurance (buildings and contents).*

70. Receipts against such claims, in addition to being subject to audit, will be published on a three-monthly basis.

71. *The history of the Additional Cost Allowance dates back to December 1971 when the House recognised that such an allowance was necessary to cover the cost of a Member having two places of work, and to cover the cost of working away from home. The allowance was designed to cover the reasonable additional cost to Members of Parliament from outside London when staying in the capital engaged on their Parliamentary duties.*
72. *Whilst the original recommendation on the payment of an additional costs allowance was made in 1971, the House in 1985 confirmed that claims for mortgage interest payments were allowable. The Lord Privy Seal said that, in claiming this allowance, it was the responsibility of hon. Members to ensure that any monies claimed had been necessarily claimed in pursuance of their Parliamentary duties.*
73. *Property prices have risen since then and the capital gain on properties so acquired has been appreciable and given rise to comment.*
74. *The SSRB reviewed this comment in its Report No.64:CM7270-2 and in particular the suggestion that there ought to be some means of the taxpayer sharing with the Member any such capital gain. The SSRB found this suggestion ‘misplaced’.*
75. *The SSRB made their comment on the grounds that gains from sale of a home not the principal residence of a Member are subject to capital gains; there would be difficulties in attributing these gains at any particular time; and of course the quid pro quo would be to require the taxpayer to make good any loss incurred by a Member on the sale, thus in effect making the taxpayer a partner in any property transaction.*

76. *In the light of latest controversy, linked to the concept of ‘flipping’, that is where a Member has changed the designation of his principal residence and his second home, giving rise to questions in relation to capital gains tax, the House dealt with this 19 May 2009 in that Members may not swap the respective designations as between their main home and additional home unless in exceptional cases, and the nature of the cases must be subject to appeal to the Committee on Members’ Allowances, and a further appeal if the first appeal is rejected to the Members Estimate Committee.*
77. *However, there is public perception that Members who have acquired residential property in the past to perform their Parliamentary duties are now sitting on a windfall should the property be sold at a profit, notwithstanding any gains from such sale would be subject to capital gains tax.*
78. *This perception leads on to the question whether it is appropriate for the taxpayer to fund interest payments on acquired property that can, in principle, only increase in value, and that such payments be made via the PAAE.*
79. *It would not be appropriate to disturb arrangements entered into in good faith by Members in the acquisition of property in order to fulfil their Parliamentary duties, though the Commons has capped mortgage interest payments at £12,500 per year.*
80. *However, it would be appropriate to abrogate the 1985 Order by which the House consented to extending the then Additional Costs Allowance to interest on mortgages where property had been acquired in relation to*

the fulfilment of Parliamentary duties. This would apply to Members from the moment the House so decides, but would not, as indicated above, disturb existing arrangements.

81. The abrogation of the 1985 Order would in future create two categories of Members, one category capable of claiming interest on mortgages and the other that in future cannot, but as Members owning their own properties retire equilibrium would be restored.

82. It has also been said that it is inappropriate for Ministers of the Crown, upon their appointment as Ministers and where they are allocated grace-and-favour residences, to continue to apply for the PAAE on their additional homes.

83. It may be that the Ministerial life of a Minister is of uncertain duration and, whilst he or she are Ministers, they are also Members of Parliament with constituency and other duties within the House consistent with those duties conferred upon them by the electorate.

84. Such duties are not obviated because one has become a Minister and his or her status as a Member remains unchanged. But it must now be appropriate to alter the status of a Member who becomes a Minister with a grace-and-favour residence, by removing from such a Minister the right to claim for an additional home. There are not many grace-and-favour residences around and the choice of relinquishing the right to claim for an additional home and taking up such a residence must rest with the Minister.

RECOMMENDATIONS

It would not be appropriate to disturb arrangements entered into in good faith by Members in the acquisition of property in order to fulfil their Parliamentary duties, though the Commons has capped mortgage interest payments at £12,500 per year.

However, it would be appropriate to remove the right to claim legal and other costs associated with obtaining – and selling – property, for example claims for stamp duty, removal expenses and valuation fees, this to be forthwith.

It would also be appropriate to abrogate the 1985 Order by which the House consented to extending the then Additional Costs Allowance to interest on mortgages where the property has been acquired in the fulfilment of Parliamentary duties. Such a recommendation should have immediate effect should it be accepted by the Committee and approved by the Commons.

It would be appropriate to alter the status of a Member who becomes a Minister with a grace-and-favour residence by removing from such a Minister the right to claim for a second home.

V Calculation of Personal Additional Accommodation Expenditure (PAAE)

85. The Members Estimate Committee, in its report to the House of Commons 2 July 2008, HC578-1, considered whether it would be appropriate to calculate the Additional Cost Allowance (now the Personal Additional Accommodation Allowance) on a per diem basis

and the need for Members to work in London for about one hundred and forty sitting days a year.

86. This might be a per diem rate of £145 to cover nightly accommodation and a daily subsistence rate of £30 to cover food. (This subsistence rate has now been set at £25 and is on an overnight basis.) This was considered appropriate and reasonable for Members staying in central London.

87. The one hundred and forty sitting days reflected the average of House sitting days in a year.

88. The per diem allowance reflected the allowance in other sectors for short term and ad hoc working commitments away from home and was based on cost comparators with the daily rate of reasonably-priced three-star hotels in central London.

89. Usually, in the treatment of a per diem allowance, employers reimburse directly the actual costs which an employee has incurred.

90. The per diem allowance could be paid either in equal monthly instalments to Members on the assumption that, taking one month with another, the total amount will balance over the year to the requisite number of days in the Palace of Westminster. This could be adjusted monthly to reflect actual attendance the previous month.

91. Members would not be required to sign-in on specific days but would be required to show to financial quality assurance teams and any independent audit that they had spent one hundred and forty days during the course of the year in the Commons. The new electronic equipment installed for entry into Parliament would verify this.

92. *However, after careful examination, the Members Estimate Committee decided not to recommend the per diem proposal to the House. The proposal has not met with support either from Members who resent the perceived concept of clocking-in and the public who wonder why a Member should be paid a second time for showing up at his place of work.*
93. *However, in view of the perceived correlation in the public mind between salaries and allowances, there has been a suggestion that the Personal Additional Accommodation Expenditure (PAAE) be merged with salary. Such a merger may have merit but would be perceived by the public as an increase in salary and would not take from the Member the obligation to incur expenditure in the application of his or her duties.*
94. *The Members Estimate Committee declined to make such a recommendation of merging salary with the PAAE.*
95. *The Committee on Standards in Public Life declared that ‘Members of Parliament have the right to expect to be paid a reasonable salary for the work they do. But they should not be responsible for setting their own salaries, both because that creates a conflict of interest and exposes settlements to political pressures.’*
96. *It has not been overlooked by Members that not since 1972 has a Prime Minister agreed the recommendations in relation to Members’ pay made by an independent review body and it would be welcome if the Committee on Standards in Public Life were to reiterate its earlier recommendation and further recommend that all future remuneration*

reviews should be carried out by the SSRB - at three year intervals - and approved, not by the House of Commons, but by the putative Parliamentary Standards Authority which the government proposes to set up.

RECOMMENDATIONS

It is not recommended that the per diem allowance concept be pursued.

It is not recommended that a merger of salary and allowances be pursued.

It is recommended that the SSRB should be responsible at three-year intervals for a review of Members' remuneration and that any recommendations should be approved by the putative Parliamentary Standards Authority and not by the House of Commons.

VI Travel Allowance

97. Members are entitled to be reimbursed for the travel costs that they incur wholly, exclusively and necessarily on Parliamentary duties.

98. Allowable journeys include travel from constituency to Parliament, travel within the constituency and travel outside the constituency but within twenty miles of the constituency boundary, and travel between the constituency and local or regional offices of government departments and the offices of local authorities.

99. *Extended travel is also allowed within the United Kingdom other than constituency or standard travel where the journeys undertaken relate to a matter currently before the House, or a matter currently before a select committee on which the Member serves, or to visit a constituent, or to be relevant to a general constituency matter.*
100. *Allowable journeys also include a visit to a United Kingdom Parliamentary Assembly. They also include travel on Parliamentary duties to European Union institutions and agencies and national Parliaments of European member states, member states of the European Free Trade Area, and European Union candidate and applicant countries.*
101. *Allowable journeys also include those of Members' spouses, civil partners and children up to the age of eighteen. Each are entitled to up to thirty single journeys each year between London and the constituency or the Member's main home.*
102. *And a Member is entitled to up to twelve return journeys each year shared between all his or her employees and where the journeys are between Westminster and the constituency. This latter entitlement can only be used for employees paid through the staffing allowance and the journeys must necessarily be for a Member's Parliamentary duties.*
103. *A Member may undertake further journeys as part of a Parliamentary committee or delegation but the costs of such journeys are paid for by the House authorities.*
104. *Since the publication of the Freedom of Information Act, the House has published a listing of each Member's annual travel spending. This*

publication has been extended to stating the sums claimed by mode of travel categories.

105. A survey of Members commissioned by the Members Estimate Committee in relation to their own review showed that the travel allowance proved to be the allowance that Members felt met their needs.

106. The majority of Members make use of a travel card to purchase tickets for journeys undertaken on Parliamentary or constituency business. Travel, however, is a matter on which the needs of Members vary considerably, not only on the basis of distance from London but also the size and geography of constituencies and the availability of public transport to London.

107. The standard figure for mileage within a constituency did not reflect the difference between rural, urban-rural and urban constituencies and the Members Estimate Committee recommended to the House a variation in the standard rate to take constituency size into account.

108. The House accepted this recommendation and a Member with a constituency less than twenty-five square miles must provide a detailed breakdown on journeys reaching up to two hundred square miles per month on constituency business; if the constituency is over twenty-five square miles but under two hundred, for mileage above three hundred and fifty; and if the constituency is over two hundred square miles for mileage above six hundred.

109. The question remains, however, given some of the mileage claims of certain Members to and from Parliament from their constituencies and back, that have aroused public attention and indignation, whether it

continues to be appropriate that such mileage should continue to be claimed. It has been seen that the majority of Members make use of a travel card to purchase tickets for journeys undertaken on Parliamentary or constituency business, and for journeys to Westminster. There is thus no reason not to abolish the entitlement to mileage claims from constituency to Parliament and back, or from any other destination to Parliament, such as from a second home out with the constituency.

RECOMMENDATIONS

It would be appropriate to leave in place the present regime in relation to a Member's travel costs, given the diversity of Members' constituencies and the obligations placed upon them and their families.

It would be appropriate to abolish the entitlement to mileage claims from constituency to Parliament and back, or from any other destination to Parliament, such as from a second home out with the constituency.

VII COMMUNICATIONS ALLOWANCE

110. The SSRB in its Report No.64 CM7270-2 examined the Communications Allowance introduced 1st April 2007 and designed to increase public understanding of Parliamentary matters. The SSRB believed the allowance to be 'broadly sound'.

111. The SSRB further recommended that the allowance be renamed Communications Expenditure and be confirmed at £10,000 a year, with an uprating in April each year in line with the movement in the RPIX.

- 112. In its Third Report – HC232 - In January 2008, a Report was published from the Standards and Privileges Committee: Publications Funded from the Communications Allowance. The former Parliamentary Commissioner for Standards and Privileges provided a series of proposals and suggestions aimed at improving clarity and certainty for Members as to what should be permissible in publications funded from the Communications Allowance.*
- 113. These proposals and the response of the Members Estimate Committee were incorporated in their Review of Allowances Report HC578-1-2 published 2 July as Annexe One in Volume Two of the Review and were subsequently implemented directly by the Committee. The actual Report of the former Commissioner was published as Appendix Four in Volume One of the Review.*
- 114. In its Review the Committee recommended that the rules governing the Communications Allowance be tightened in respect of not publishing during election periods, not using party logos or other distinguishing labels, confining distribution to Members' own constituency and other matters; and that claims for the costs of production of any publication costing more than £1,000 will only be met if it has been cleared in advance with the Department of Resources. This was accepted by the House.*
- 115. A further recommendation was also accepted, that the Communications Allowance itself be frozen at the current level for three years from April 2009 till April 2012 and thereafter the uprating formula be changed to RPIX.*

RECOMMENDATIONS

The Communications Allowance is an effective and easy way for Members to communicate with their constituents in an era where news is brought to the homes of constituents principally by the national media, with little local cover.

Such communications, by the rules of the House, are devoid of party political content but do enable the constituent to see what his Member is up to, what engagements he or she is fulfilling in his or her constituency, and how he or she may be contacted.

Not every constituent is a doyen of the Internet, spends time on FaceBook or Twitter or U-tube, surfs Google, and this staple of communication provides a useful tool in getting to those parts of the constituency that modern means do not reach.

The recommendations already accepted by the House and reflected in the present Green Book should therefore not be disturbed.

VIII HOUSING

116. It is an essential element of Parliamentary life that those Members receiving Personal Additional Accommodation Expenditure (PAAE) need accommodation in London during the sitting week and in the constituencies at other times: the concept of the principal and additional home.

117. *All evidence presented to the Members Estimate Committee during its Review in the first half of 2008 showed that in other organisations those working away from home would not be out-of-pocket.*
118. *As indicated in the Committee's paper, Review of Members' Allowances: Issues, published as Second Report HC464 on 2 April 2008, doubts were expressed as to the feasibility of owning an accommodation block within the London area. Central London property prices, notwithstanding a downturn in the property market, and the various accommodation arrangements already entered into by Members, by way of acquisition or rental, preclude this option other than for new Members coming in after a General Election.*
119. *Even to acquire space to accommodate such new Members would be prohibitive and cut across their right to make their own arrangements. The Ministry of Defence leases apartments to accommodate staff posted to work in London, but in Berlin when the Bundestag built an entire new apartment block to accommodate its Members no Member would take up the accommodation and the block stands empty. Apparently, no Member wished to reside in close proximity to another.*
120. *It is not recommended that such a proposal be pursued.*

RECOMMENDATION

It is not recommended to pursue a proposal of dedicated accommodation within the same apartment building for Members either those sitting in the present Parliament or those likely to be newly-elected at the next Election.

IX RESETTLEMENT GRANT

121. *The SSRB in its Review of Parliamentary Pay, Pensions and Allowances 2007 CM7270-1 recommended that with effect from the General Election after next Resettlement Grant should be paid at a rate of one month's salary for each year of service as a Member, up to a maximum of nine months' salary, and paid to those Members who lose their seats at the General Election or whose seats disappear as a result of boundary change.*
122. *The Members' Estimate Committee (MEC) in its Review of Allowances 2008 HC 578-II declined to accept this Recommendation.*
123. *The MEC pointed out that the Resettlement Grant assists Members in 'adjusting to non-Parliamentary life' when they leave the House at a General Election and is akin to a redundancy payment. The grant is a varying proportion of final salary of between fifty per cent and one hundred per cent, based on age and length of service. As with any redundancy payment, the first £30,000 is tax-free.*
124. *The MEC prayed in aid a survey from the Association of Former Members of Parliament that almost half of defeated and deselected former Members take more than three months to find alternative employment, and that when a large number of seats changes hands, as in 1997, the average time taken to find new employment increases.*

125. *The MEC acknowledged the recommendation of the SSRB and that this would reduce eligibility significantly. The MEC reasoned that the rationale of the SSRB appeared to be that if a Member made a choice to leave this was not the equivalent of redundancy and therefore the question of the post-election readjustment would not arise.*

126. *However, the SSRB failed to recognise that Members, as at the present time, do not know when the next General Election will be held and that plans and preparations are necessarily affected by uncertainty.*

127. *The MEC felt that if the SSRB recommendation were adopted this would:*

- *prevent members who have been deselected from receiving the grant*
;
- *encourage so-called paper candidates in unwinnable seats who would thereby receive the payment ;*
- *possibly, slow the natural process of renewal in the House by encouraging Members to continue standing until death or defeat instead of departing gracefully.*

128. *In declining the recommendation of the SSRB, the MEC put forward its own basis of a new Resettlement Grant:*

- *reducing the Resettlement Grant for those approaching pension age: Members are generally able to draw their Parliamentary pension and any lump sum from sixty-five ;*
- *recognising the difficulty in re-entering the labour market ;*

- *calculation of the Grant should relate such payments to the rhythm of what are usually four-year Parliaments.*

129. MEC therefore recommended that there be a shift, in the next Parliament, of the basis of calculation of the Resettlement Grant towards Members leaving in their early fifties.

130. The final recommendation of the SSRB was that:

- a. We recommend that with effect from the General Election after next, Resettlement Grant should be paid at a rate of one month's salary for each year of service as a Member, up to a maximum of nine months' salary, to Members who lose their seats at a General Election or whose seats disappear as a result of boundary changes.*

131. In the light of current events and given the circumstances that have changed since the MEC visited the recommendations of the SSRB, it would be appropriate to accept the recommendation of the SSRB in relation to Resettlement Grant but that this recommendation take effect from the next Dissolution.

RECOMMENDATION

That with regard to Resettlement Grant, with effect from the next Dissolution, Resettlement Grant should be paid upon Dissolution at a rate of one month's salary for each year of service as a Member, up to a maximum of nine months' salary, to Members who lose their seats at a General Election or whose seats disappear as a result of boundary changes.

X CONCLUSION

132. The work of the Committee on Standards in Public Life is building upon a vast amount of work already completed:

- The Review Body on Senior Salaries, Report No.64, Review of Parliamentary Pay, Pensions and Allowances 2007, CM7270-1 ;*
- House of Commons Estimate Committee Review of Allowances HC578-1 and HC578-II ;*
- The Committee's own Paper entitled Principles to Govern a Review of MPs' allowances published April 2008.*

133. The Committee must also take into account the steps taken by the House reflected in its last Green Book 1 April 2009 and also the decisions of the House taken 30 April 2009 and reflected in the Introduction to this Submission.

134. Also the changes that came into effect by edict of the Members Estimate Committee 20 May 2009.

135. The Committee must also take into account that its recommendations will be voted on in the Commons, in accordance with the sovereignty of Parliament: a sovereign Parliament for a sovereign people.

136. *It is unlikely that the question of Members' allowances shall be revisited in the near future and possibly not for at least three years, which adds to the importance that the Committee will make in its deliberations and in the recommendations that it wishes to make.*
137. *The House of Commons recognises the need to restore public trust and confidence in the institution and that this may partly be achieved by the House accepting a set of allowances independently recommended.*
138. *Further, in order to restore trust and confidence, the government has proposed the creation of a Parliamentary Services Authority to independently manage aspects of the House's finances and with particular attention to the administration of the receipt and payment of Members' allowances.*
139. *Any recommendations of the Committee will fall to this Parliamentary Services Authority to manage.*
140. *There would therefore be a total separation from Members either of setting the allowances and what these allowances should be, and their administration.*
141. *Public trust and confidence should be further buttressed by acceptance of the quality assurance and audit proposals that form part of this Submission and were an original submission of the Members Estimate Committee.*

XI SUMMARY OF RECOMMENDATIONS

1. *That there should be a robust new system of financial quality assurance involving regular financial health checks on records kept*

and processes used in Members' offices with outside professional teams covering about 25% of Members each year and every Member each Parliament.

2. That the scope of audit engagement be extended so that it is the same for other public bodies and that the NAO sample claims paid on one or more transactions relating to at least 25% of Members each year.

3. That the House should seriously consider centrally to employ a Member's staff through the mechanism of its proposed Parliamentary Standards Authority (see Annexe I) but only for new staff when employed.

4. That a Member may only employ one family member, partner or relative, this to be phased in to avoid redundancies of present employees, but where a Member employs more than one person in the above category that person shall not be replaced on leaving, until such time that only one family member, partner or relative is employed by any Member other than on a short-term contract or for work experience.

5. It would not be appropriate to disturb arrangements entered into in good faith by Members in the acquisition of property in order to fulfil their Parliamentary duties, though the Commons has capped mortgage interest payments at £12,500 per year.

6. However, it would be appropriate to abrogate the 1985 Order by which the House consented to extending the then Additional Costs Allowance to interest on mortgages where the property has been

acquired to the fulfilment of Parliamentary duties. Such a recommendation should have immediate effect should it be accepted by the Committee and approved by the Commons.

7. It would be appropriate to alter the status of a Member who becomes a Minister with a grace-and-favour residence by removing from such a Minister the right to claim for a second home.

8. It is not recommended that the per diem allowance concept be pursued.

9. It is not recommended that a merger of salary and allowances be pursued.

10. It is recommended that the SSRB should be responsible at three year intervals for a review of Members' remuneration and that any recommendations should be approved by the putative Parliamentary Standards Authority and not by the House of Commons.

11. It would be appropriate to leave in place the present regime in relation to a Member's travel costs, given the diversity of Members' constituencies and the obligations placed upon them, other than to abolish the entitlement to mileage claims from constituency to Parliament and back or from any other destination, such as a second home out with the constituency.

12. Arrangements in place in relation to Communications Expenditure, the object of an in-depth review both by the SSRB, the Committee for Standards and Privileges in the House, and also the

Members Estimate Committee, subsequently approved by the House and now incorporated in the Green Book, should not be disturbed.

13. It is not recommended that there be pursued the notion of dedicated residential accommodation for Members.

14. That with regard to Resettlement Grant, with effect from the next Dissolution, Resettlement Grant should be paid at a rate of one month's salary for each year of service as a Member, up to a maximum of nine months salary, to Members who lose their seats at a General Election or whose seats disappear as a result of boundary changes.

ends