

MEMBERS' ALLOWANCES

EVIDENCE TO THE CSPL FROM THE GOVERNMENT

Principles that should govern the new system

The Government is grateful to the Committee on Standards in Public Life for undertaking this inquiry. There needs to be confidence in the Parliamentary system and confidence will not be restored unless and until the system of allowances is above reproach, is transparent, accountable and reduces the cost to the taxpayer.

The Government believes that the recommendations of the Committee on Standards in Public Life review of Members Allowances should support the following principles.

1. The system of allowances should command public confidence
2. The system should be comprehensible to the public. It should not be so complex that only MPs and the Fees Office understand it and that people are not able to understand either how it is intended to work or how it is in fact working.
3. The allowance system should be transparent – so that people can see it is working in the way intended, can see what each MP is claiming for and how that changes year on year.
4. The system should no longer be based on self-regulation, but should be independent of Parliament. So the system should be put on a statutory basis. The Government proposes to establish a new, independent Parliamentary Standards Authority, on a statutory footing, to implement the rules governing Members' allowances and administer the new system.
5. Against the background of a difficult fiscal position, the new system should reduce the overall cost to the taxpayer.
6. The system should provide Members with adequate resources to carry out their work on behalf of their constituents effectively. This includes the costs necessarily incurred by MPs representing seats outside London in living and working in two places, including staff, office accommodation and equipment, office supplies, telecommunications facilities and web space. This also includes allowing Members to communicate effectively with constituents.

7. The system should recognise and underpin the vital link between a Member of Parliament and his or her constituency.
8. The system should be accountable – it should be linked to MPs' duties and consider whether any expenses for staying away from home should be directly linked to attendance in Westminster.
9. Nobody should be precluded from standing as an MP, or excluded from serving in Parliament because of their background or their income. This is the "Log Cabin to white House principle". MPs should be properly compensated for expenses necessarily incurred in performing their Parliamentary duties and they should not have to meet costs from their own pocket that other public servants would reasonably expect to be met by their employer.
10. The system should support the inclusion of people with disabilities, both as a matter of principle, because they should not be excluded from the parliamentary process, but also because this brings the voice of disabled people into the decision-making of Parliament, making it more representative of the people it serves.
11. The system should support the inclusion of people with family responsibilities, those caring for children and for older or disabled relatives, to ensure that Parliament includes MPs who can shape policy informed by the experiences of many of the people they represent. This is a particular issue for women who shoulder the responsibility for most family care.
12. The system should not usurp the right of MPs to themselves decide how they do their work. MPs adopt a wide range of different approaches to their work and should be flexible enough to cope with this.
13. The system should not allow anyone to enrich themselves from their status as an MP. Nor should it allow or enable anyone to make a personal financial profit as tax free allowances are not a top up on salary. Members should not be encouraged to change their affairs to maximise their allowances.
14. The system for MPs' allowance declarations should be consistent with MPs' tax declarations.
15. Being a Member of Parliament is an important job. The public expects MPs to give it their committed attention and be impartial in their dealings. The Committee

has agreed to address the issue of second jobs on the request of the Prime Minister and will, no doubt, be reflecting on whether outside employment is compatible with Membership of the House of Commons. The House has already agreed to require complete transparency in relation to MPs' second jobs which will enable the Committee to make its proposals with the full knowledge of its extent.

Progress made so far

It might be helpful to set out some of the recent changes that have taken place, both before and after the recent media revelations, and to identify some of the main features of the current system.

A new system of allowances was endorsed by the House on 22 January 2009 and came into effect on 1 April.¹ This built on changes that had been approved by the House in July 2008 and was further modified by the decisions of the House of 30 April 2009. On 19 May, the Members Estimate Committee with the Party Leaders agreed to several further interim changes to take effect until the Committee on Standards and Privileges has published its recommendations.

The principal features of the new rules are as follows:

- All claims must be in accordance with the fundamental principles set out on pp. 6–9 of the Green Book. These are based on the Seven Principles of Public Life.
- In order to facilitate full-scope audit, Members are required to provide receipts or other documentary evidence for all expenditure, however small the sum.² There are exceptions for certain categories of expenditure, such as use of the House of Commons Travel Card, which generates its own audit trail, and claims for overnight subsistence which are limited to £25 for each night that a Member spends away from his or her main home.
- A cap on payments for accommodation at the equivalent per year of £1,250 per month was agreed on 19 May.

¹ See *Revised Green Book and audit of Members' allowances*, First Report from the Members Estimate Committee, Session 2008–09, HC 142.

² The threshold was reduced from £250 to £25 by the Members Estimate Committee in March 2008. It was further reduced to zero by the House on 30 April 2009, to take effect from 2 July.

- An immediate ban on claims for furniture was agreed on 19 May. This built on rules agreed in Summer 2008 that MPs may use no more than 10% of their Personal Additional Accommodation Expenditure to pay for furnishings, except in the first year after they are elected. This exception is to reflect the cost of furnishing a new home, either owned or rented, for the first time.
- A restriction on any changes to designation of main and second homes was agreed on 19 May. This built on rules implemented from 1 April that Members may change the designation of their main home and additional home no more than once in each allowance year, except in exceptional circumstances. There is a further proposal from the Committee on Members' Allowances, which has not yet been agreed to, that Members should propose the designation of their main home, for approval by the Department of Resources, and should only be able to change the designation during the course of a Parliament if their personal circumstances change significantly.
- Members who are married or living together as partners were prevented from claiming more than one second home allowance as part of the 19 May agreement.
- Members with a constituency within 20 miles of Westminster will, from the beginning of the next financial year, be treated on the same basis as inner-London Members. Members who are eligible to claim PAAE can choose to claim the London Costs Allowance instead. The Allowance has been increased from £2,916 to £7,500, to reflect the cost of living and working unsociable hours in London. We have asked the SSRB to report on the level of the London Costs Allowance.
- There are new restrictions on Communications Expenditure, which has been frozen until 2012. Members may not use the allowance for proactive communication in the 28-day period before a European, local government or devolved legislature election, prior approval is required from the Department of Resources before a Member commits to expenditure of more than £1,000, and party logos and slogans may not be used in publications funded from the Expenditure.

- Members are required to use new model job-descriptions and contracts for their staff, who are paid directly by the House according to standard scales. The House has agreed in principle that Members' staff should be employed directly by the House and the House of Commons Commission will come forward with detailed proposals in the autumn.

From April 2009, for the first time, claims are now subject to independent, full-scope audit and assurance by the National Audit Office. This is accompanied by internal audit by the House's own internal audit service, and assurance by the in-house Operational Assurance Unit.

In addition to these changes, the Committee on Members' Allowance is reviewing every past payment for which records are still held to identify those which were not within the rules that applied at the time they were made. The House will insist that Members repay those that were not within the rules.