

## REVIEW OF MPs' EXPENSES

### Submission to Committee on Standards in Public Life [CSPL], 2009

This submission addresses mainly the first point in the Committee's paper ['Issues and Questions to be Addressed', para 1.15/#1]. This submission suggests two basic principles – transparency, and a system based on expenses; it also comments on sub-themes of MPs' salaries and an alternative solution to the accommodation dilemma.

Two principles should underpin the way ahead. These are:

- Ensuring transparency. Both in the new arrangements and in the way they operate.
- Clarifying if MPs are to have 'Expenses' or an 'Allowance'.

### Transparency – the underpinning principle

An MP makes a decision – to stand for public office; to be at the centre of public service using public funding and resource. Having made that decision the individual, both as a *modus vivendi* and as a standard-bearer for all others in public service, should expect absolute transparency in all remuneration and related matters. There should be no qualification on such transparency in all matters related to monies from the public purse.

The recent decision by MPs to accept moves toward transparency is a hint this principle is gradually [reluctantly?] being accepted. The Committee's paper previews this decision [CSPL paper, paras 4.10/11]. The Committee's recommendations should obligate the principle of transparency and ensure this principle is embedded in any future arrangements.

If the principle of transparency is at the centre of any future arrangements, it facilitates the introduction of other details.

### A Further Principle: 'Expenses', not an 'Allowance'

Both descriptions – expenses/allowance – have been used in the public discussion on this matter – and the descriptor often bears no resemblance to the speaker's intent. Contributors to the debate use either or both words, the net effect being to confuse the audience. The Committee's own background paper alludes to this confusion [para 3.4].

Any future arrangements should make clear the intention, and ensure clarity of description.

The most logical solution would seem to be one built around **expenses**. Most constituents would accept that an MP will incur expenses as a result of having to be Westminster-based. Public acceptance however, is based on three strands:

1. Refund only actual additional costs
2. non-profitable
3. transparency

Expenses should refund actual costs incurred in setting up a separate base in London. Such expenses should be demonstrably & transparently *in addition* to the costs of the home-base in the constituency. And note: almost by definition, an MP's main home will normally be in his/her constituency.

The Committee may set out what expenses are claimable; for example, demonstrable additional mortgage/rental costs would be allowable, but is claiming for an extra television permitted? Might the House authorities provide, perhaps through an intermediary, such temporary 'household' items as TVs fridges etc, based on an declared need by the MP?

MPs should not be able to make a profit from their claims. They are for *expenses*, not part of an MP's remuneration/benefits. No MP should be able to have a defence of "*I have done nothing wrong*" when this amounts to a technical adherence to a rule but they have made a gain; an MP's expenses must transparently be for receipted additional costs caused by having to be Westminster-based.

What must be absolute should be the principle that any claim/need by an MP must be transparent and available to public scrutiny. The principle of transparency will contribute to the public's acceptance of what is reasonable.

The sensitive issue of profit from subsequent selling of an MP's second London-based home can be eased if the principle of transparency is maintained. The individual should be required to notify the authorities of original purchase price & re-sale price. The Committee's recommendations might allow the MP to retain such profit – but this benefit [for that would be what it was] would be transparently notifyable and available for scrutiny as a private benefit the individual could retain as an off-shoot to their decision on setting up their base.

**Allowances** tend to be a public-sector way of side-stepping the transparency of expenses. However, an allowance would not meet the three measures of acceptance summarised for expenses, above. Two themes suggest an allowance will not satisfy public wish for clarity:

- An allowance would have to be pitched at a level to incorporate 'worst case'.
- An allowance encourages the individual to seek to profit from the payment.

An allowance would encourage recipients to argue for the payment to be maximised - to encompass all the expected reasonable expenses the individual might incur. Having argued such a case, when provided with an allowance, human nature(?) seeks to make a profit by spending less than is given in the allowance. The result . . .

An allowance subsumes and fudges the issues of refunding actual additional costs; it would dilute transparency. This is the reason allowances are not the norm in the private sector – where it is more acceptable and transparent to have a system based on expenses, supported by receipts, for reasonable actual costs incurred.

In summary: The Committee should clarify – is the future system to be based on an allowance or expenses? This submission is that an allowance will not satisfy the current public concerns and desire for transparency; on this basis, the Committee should recommend a future arrangement based on **expenses** – with MPs being able to claim all reasonable additional costs for establishing a base to enable them to attend at Westminster.

The principle of full transparency and non-profitable should underpin the arrangement. The Committee should base any future arrangement on the principle of transparency – all claims made by MPs should be publically available for scrutiny.

## Supplementary Observations

Two other issues seem relevant:

- MPs' salaries
- A radical alternative to Expenses

### MPs' Salaries.

The debate on expenses/allowances has suggested that a solution would be to incorporate such costs in an increase in MPs' pay. It is suggested this will not satisfy public concerns.

Putting aside the central issue of whether the current pay is sufficient [and a personal view is that the current salary is an appropriate recompense for the role], a solution to the current debate that increased salaries would be only short-term and would not solve the underlying problem. In the longer-term, the issue would soon arise again of additional costs for MPs either commuting to/from London or differentiating living costs. In addition, the media and other interested parties would continue to watch for MPs' hidden benefits etc.

The solution to the current debate on expenses is not to confuse the matter by relating this to salaries, but to introduce a transparent system of repaying reasonable addition costs an MP incurs due to having to commute to and/or live in London to attend Westminster.

Additional earnings: The Committee will address this matter [Q1.15/#13]. There would be an unfairness if this ability was stopped; the solution would be to allow an MP to earn from interests outside Parliament, but that the principle of full transparency should again apply – on the register of all such involvements and the detail of any form of remuneration.

### A Radical Alternative – Central London Accommodation for MPs

A radical alternative, discussed somewhat on the fringes of current debate, would be to replace the current accommodation expense/allowance options with provision of accommodation for MPs in Westminster. The House authorities might take-over one or two central-London hotels and require all non-local based MPs to stay in this accommodation during Parliamentary time.

Two arguments might be raised against such an approach – the reduction in individual freedoms and choice of accommodation for the MP, and security. The first case can be overcome by ensuring the accommodation is of a good standard – the 'hotel' might even be adapted to ensure each facility is a suite.

A counter-point to individual's wish for separate space might also be that communal accommodation would encourage more dialogue between individuals & parties, thereby reducing the current antagonistic, and mildly ludicrous, tone of Parliamentary argument. Also, the counter-case for freedom of choice, and consequent additional cost, crystallises the debate on expenses/transparency if an individual, or MPs, resist a communal solution.

Security in such communal accommodation would be an issue – but risks could be minimised by effective planning and security coverage. Also, such security risks & cost might be less than the current disparate security requirements to protect MPs as they are spread around the city.

## Conclusion

Each person standing as MP makes a decision, a choice – to stand for public office; to be at the centre of public service using public funding and resource. Having made the choice to represent constituents then, as a standard-bearer for those constituents and for all others in public service receiving remuneration from public funds, the individual should expect absolute transparency in all remuneration and related matters.

MPs based in non-London constituencies do incur additional costs from having to attend Parliament from their constituency. Such expenses should be reclaimable, with any such expenses based on actual receipted extra costs incurred, with all such expenses claimed **fully transparent** & available for public scrutiny.

The most appropriate long-term solution to the current debate may be to provide MPs with Central London based accommodation. Failing this, it is suggested that the only way public interest in this matter will be satisfied will be if the Committee recommends a way forward based not on allowances but on **expenses**.

The Seven Principles of Public Life, as set out in the Committee's background paper, will be endorsed only if a recommendation based on transparency and expenses is at the core of its any future arrangements.

## A summary comment of the Committee's main agenda [para 1.15]

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

1. What are the necessary elements of a system which both supports MPs properly in the performance of their important and demanding role and commands public confidence?	Transparency + Expenses. See main paper.
2. Is it right that the House of Commons should be in a position to determine the nature and size of its own expenses scheme? If not, what are the alternatives? Who should be responsible for approving the content of the Green Book which sets out the basic rules?	<i>"Turkeys don't vote for Xmas!"</i> The way ahead: A Work Group of MPs & the CSPL
3. Are the range of expenses which are currently reimbursable correct? Are the correct judgements being made about the resources MPs need to perform their jobs effectively?	See main paper
4. Are the arrangements for policing the expenses system adequate? If not, how should they be reinforced? Is there adequate independent involvement? Are the new arrangements for internal and external audit introduced at the beginning of this financial year adequate?	Not competent to comment
5. If it is the right principle that MPs should not expect any element of personal financial advantage through the claiming of personal expenses, what approach should be taken in situations such as the support of mortgage interest which does offer the possibility of such advantage but which may nevertheless provide better value for money to the tax payer?	The principle of transparency will assist in the application of recommendations, and must be the essence of any expenses system.
6. However logical the approach to reimbursement of expenses, is it possible that its implementation throws up so many difficulties, including difficulties of explanation to the wider public, that there is a case for considering a radical simplification which costs the same or less than the current arrangements? Would it be acceptable for some increase in the level of basic pay to form part of that?	The Basic pay of MPs is adequate. There should be no adjustment to MPs' pay before transparency/ publication of all additional extra-curricular earnings by sitting MPs.
7. Where reimbursement is made in respect of expenses such as the cost of running an office, should this payment continue to be made as an additional personal expenses allowance to MPs? Or could the payment be made directly by the House authorities or in some other way? Is there a case for more centralised procurement through the House of Commons authorities? If so in which areas might such procurement take place?	Requires differentiation of 'expenses' c.f. 'allowance' – see main paper. Otherwise: not competent to comment.
8. What is the best way of providing recompense to those MPs who inevitably have to spend time away from their main home on Parliamentary business?	By reimbursement of actual additional cost incurred, with full transparency re claims.
9. How much discretion should the system allow about issues like the designation of second homes?	The designation becomes less important if full transparency is in place?

Cont . . .

*Summary comments, cont . . .*

10. Is it acceptable that MPs should be able to employ spouses or other family members? If so, what safeguards are necessary?	Yes, but with accompanying full transparency, and compliance with normal Inland Revenue criteria.
11. Should receipts be required to support all claims for reimbursable expenditure?	Yes. Accompanied by full availability /transparency of such claims on the public purse.
12. What level of detail of expenses claims should be routinely available to the public without the need to make Freedom of Information Act requests for it?	Full detail should be available if MPs are to set a standard for all treatment of public monies.
13. Is it acceptable or desirable that MPs should be able to receive remuneration for activities outside Parliament? If so, should that be reflected in any way in the treatment of their Parliamentary pay and expenses? Is there a need for further regulation or guidance on these activities?	It would be unreasonable to stop this, but full transparency of involvement & remuneration should be available – see answer to 1.15/6
14. Should MPs be reimbursed for expenditure incurred on newsletters and other material designed to inform the public about their work?	Not competent to comment.