

**Committee on Standards in Public  
Life response to the Independent  
Parliamentary Standards Authority  
consultation on MPs' expenses**

**2 February 2010**

## Overview

1. The Committee on Standards in Public Life warmly welcomes the creation of the Independent Parliamentary Standards Authority (IPSA) to determine and oversee the system of MPs' expenses. In preparing the new expenses regime, IPSA is required to consult with, among others, the Committee on Standards in Public Life. This is the Committee's response to IPSA's consultation on MPs' expenses launched on 7 January 2010.
2. It is important that the new system for reimbursing MPs' expenses is settled as soon as possible. The revelations about MPs' expenses over the last two years have severely damaged public trust in MPs – both individually and collectively – and in Parliament as an institution. Reform to the system of expenses is a necessary but by no means sufficient step in rebuilding that trust. Candidates standing for election also need to be clear about the basis on which they will be supported and understand the standards expected of them.
3. The Committee published its report on MPs' expenses and allowances on 4 November 2009. Our proposals for reform strike a fair balance between giving Members of Parliament adequate resources to do their jobs and providing value for money for the taxpayer, within a framework which upholds the principles of public life – transparent, accountable and free from suspicion of abuse for personal advantage.
4. Our proposals were produced after an exhaustive inquiry lasting seven months, involving widespread public consultation through the taking of extensive written and oral evidence and via a number of facilitated focus groups in different parts of the United Kingdom. They have also been endorsed by the Speaker and by the leaders of the three main political parties. Nor since our report was published have we seen anything which significantly challenges the basis on which our recommendations were made. It should not come as any surprise therefore that we continue to believe that they should be implemented in full.
5. The Committee's detailed response to the specific questions in the consultation paper is set out in the next section. There are three points we wish to highlight.
6. First, IPSA's acceptance of our recommendation that support for mortgage interest should cease is welcome. Support for mortgage interest was one of the aspects of the current system for reimbursing MPs additional accommodation costs which caused most disquiet in our consultation. We recommended that there should be a transitional period for those with existing mortgages, during which the continuation of support should be conditional on a recipient agreeing to surrender the appropriate proportion of any capital gain attributable to support from the parliamentary expenses scheme during the transition period. We regarded this a quid pro quo without which the transitional period of five years proposed becomes much more difficult to justify. Our understanding, though this is not clear from the consultation paper, is that IPSA agrees with the principle but is looking for ways of implementing it.

7. Second, we recognise that our recommendation calling for the end of employment of family members from public funds has evoked strong views, not least from some of those directly affected. But for the reasons given in our report, we concluded that it was not consistent with modern employment practices. Nor for as long as it continues will it be possible to demonstrate that the system for reimbursing MPs' expenses is free from any suspicion of abuse. The basic point is that employment of family members involves the use of significant public money in a way which has the clear potential to provide personal gain. That is unacceptable, however admirable the support provided by many existing employed family members. Recent experience demonstrates how difficult it can be to demonstrate conclusively whether a family member is indeed performing the role for which they are being paid; and we note that two-thirds of MPs are able to discharge their roles without employing a family member.
8. Finally, acceptance of the principle that support for second places of accommodation should only be available for those MPs whose constituencies are outside a reasonable commuting distance from Parliament is welcome. But the evidence on which IPSA is basing its proposal to define a reasonable commuting distance as being from anywhere within the London Transport zones 1-6 is unclear. The proposal appears on the face of it to be more generous than that which Parliament has already determined for itself, and is less rigorous than the Committee had envisaged. There are a number of members of the public who regularly commute to central London from beyond the London Transport Zone 6, with journey times no greater than some of those who live within it.
9. The Parliamentary members of the Committee have not taken part in the production of this response.

## **Detailed response**

### **Q1. Do you agree that the CSPL's principles, supplemented as proposed, should form the basis of the new expenses system?**

Yes. As the consultation document notes, the two additional points proposed are implicit in the principles set out in the Committee's report.

### **Q2. Do you agree with our proposal to concentrate on expenses rather than allowances wherever possible?**

Yes. This was also the basis on which the Committee produced its recommendations.

### **Q3. Do you agree that there should be annual limits to the amount that can be spent from public funds on each of the main elements of our expenses scheme, except for travel and subsistence?**

Yes. The Committee envisaged annual limits for all types of expenditure except travel on parliamentary business, in line with existing practice. We also recommended flexibility over the ceiling for accommodation to take account, where appropriate, of the additional needs of families, those with caring responsibilities, and disabled MPs. The challenge will be to cultivate a culture in which a limit could not be perceived as an entitlement.

### **Q4. Do you agree with our approach to the submission of claims?**

We welcome the fact that, as we recommended, IPSA intends to require MPs to certify that claims are within the rules governing expenses and to provide evidence that the claim is allowable.<sup>1</sup>

Subject to the establishment of appropriate safeguards we support the provision of interest-free loans. However, as set out in the Committee's Report, in some cases it would be preferable in our view for expenditure to be met directly by IPSA, for example, via the direct provision of accommodation,<sup>2</sup> or through greater central provision of office equipment.<sup>3</sup>

### **Q5. Are you content with our proposed approach to the publication of claims?**

The Committee welcomes the proposal to publish claims – whether approved or not – in line with our own recommendations. We also support the proposal to publish claims as quickly as possible after they are made, on the assumption that this means that claims will be published within the three month period suggested by the Committee.<sup>4</sup>

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<sup>1</sup> Recommendation 57

<sup>2</sup> Recommendation 4

<sup>3</sup> Paragraph 7.24

<sup>4</sup> Recommendation 60

**Q6. Do you support the idea of requiring MPs to produce an annual report of their use of public funds?**

The Committee believes that it is important that an MP is able to certify at the end of the financial year that all claims made within that period comply with the principles and rules of the new scheme. The Committee did consider the option of requiring MPs to produce an annual report of their use of public funds. On balance we concluded that this would be unnecessary since the information is routinely available online. But the key point is that the amount of expenses claimed should be fully transparent. It is for IPSA to reach a judgment on the practical details.

**Q7. We propose that MPs are eligible to claim for accommodation expenses unless their constituency contains a station within London transport zones 1 to 6. Do you agree with this approach?**

The Committee recommended that *“The recent removal of the right to claim additional accommodation expenses from MPs with constituencies wholly within 20 miles of Westminster should be extended to those whose constituency homes fall within a reasonable commuting distance. The independent regulator should draw up a revised list of constituencies to which this principle applies.”*<sup>5</sup> This recommendation had at its heart the principle that in matters relating to expenses the general presumption should be that MPs should be treated in the same manner as other citizens, with any departures from that presumption explicitly justified. In making this recommendation the Committee envisaged IPSA undertaking an evidence-based review of commuting distance in the UK and of travel arrangements to constituencies near London in order to identify ones which might be seen to be within a reasonable commuting distance.

A rule which states that MPs are eligible to claim for accommodation expenses unless their constituency contains a station within London transport zones 1 to 6 has the advantage of simplicity. But it appears to be less restrictive than Parliament has already agreed and less robust than the Committee had envisaged. Many people commute every day from places outside zone 6 while still enjoying travel to work times no greater than some who do. The Committee does not accept that basing a rule on travelling times would necessarily be complex to administer. Once the list of constituencies outside a reasonable commuting distance has been defined, it would only require periodic review.

**Q8. Which of the following is most important in a long-term system for accommodating MPs:**

- **MPs having responsibility for their actions;**
- **Cost to the taxpayer;**
- **No money passing through MPs’ hands;**
- **Flexibility for MPs to identify properties that meet their particular needs.**

The Committee’s central recommendation on accommodation was that support for mortgage interest should be brought to an end, with appropriate transitional provisions. IPSA’s support of this principle is welcome. On a matter of clarification, we did not

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<sup>5</sup> Recommendation 7

argue, as the consultation paper suggests, that support for rent would be cheaper for the taxpayer than supporting mortgage interest.<sup>6</sup>

We also advocated direct provision via a commercial rental agency for reasons acknowledged in the consultation paper, including removing from MPs the burden of finding accommodation for themselves and offering the potential to offer cost savings compared with individual MPs renting on the open market.

While recognising the time pressures, we are disappointed therefore that such a scheme will not be trialled at the beginning of the next Parliament as we had hoped. Piloting a long-term solution involving only MPs elected at by-elections during the next Parliament seems unlikely to involve sufficient scale to provide an adequate assessment of such a scheme.

### **Q9. When should the payment of mortgage interest to existing MPs be ended?**

Recommendation 12 of the Committee's report states that *"MPs with existing mortgages supported through the expenses scheme should continue to be entitled to claim the cost of mortgage interest on their current property until the end of the next Parliament, or for five years if that Parliament does not continue for a full term. They should not, however, be able to amend their mortgage agreement in any way which would increase the amount they are able to claim."* The Committee took the view that this struck a reasonable balance between the need to bring an end to an arrangement that had fallen into disrepute and treating fairly those MPs with existing mortgages entered into in good faith.

### **Q.10 Do you agree with our proposed approach to accommodation expenses for MPs with caring responsibilities?**

The Committee's report concluded that the new scheme should offer a flexible approach to providing overnight accommodation for those with caring responsibilities.<sup>7</sup>

### **Q.11 Do you agree with our proposed list of running costs for accommodation which might be met through public funds?**

The Committee's fundamental aim was to ensure that MPs were reimbursed for additional costs necessarily incurred in living in two places. We concluded that costs such as those listed in the consultation paper should be reimbursed (though there are some minor differences between the IPSA list and our own) while others such as gardening, cleaning, and furnishings and maintenance should not. We also recognised that IPSA should be prepared to review this list, provided that additional costs were robustly limited to those which are "wholly, exclusively and necessarily" incurred.<sup>8</sup>

### **Q.12 Which of the options that we set out do you favour in providing assurance about claims for travel expenses?**

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<sup>6</sup> See paragraphs 5.38 and 5.41.

<sup>7</sup> Paragraph 5.19

<sup>8</sup> Paragraph 5.61

The Committee recommended that, as in other parts of the public sector, and many parts of the private sector, all journeys should be registered and there should be no *de minimis* level for mileage claims.

**Q.13 Do you agree with our approach to travel by public transport, including ordinarily travelling standard class?**

The Committee took the view that there was a case for continuing to allow MPs to claim for first class train travel for longer journeys where issues of space or privacy in which to work made this appropriate. But we went on to say that “*MPs should always ensure that value for money for the taxpayer is provided when making travel arrangements. The audit arrangements should include proportionate checks to ensure that this is happening in practice.*”<sup>9</sup>

**Q.14 We propose to prohibit the use of public funds in the employment of family members by MPs. Do you agree with this approach?**

Yes.

We received a wide range of evidence setting out the case both for and against continuing to allow the employment of family members.

In reaching our conclusions, the Committee carefully examined all the arguments. We also considered whether it would be possible to put in place safeguards to allow the continuing employment of family members. However, we concluded that continuing to allow the employment of family members was no longer appropriate in a modern Parliament, any more than it is in most other work places. The basic point is that employment of family members involves the use of public money in a manner which can clearly provide personal gain. The Committee concluded that there are no practical and effective measures which could ensure that family members are selected and treated on an equal basis to all other job candidates; and the experience of the Committee of Standards and Privileges demonstrates how difficult it can be to evidence whether an employed family member is actually performing the tasks for which they are paid. It is vital that the Commons set the highest examples in terms of probity, particularly in light of the recent past. Allowing the employment of family members to continue in any form will lead to the continuing perception, and potentially in some cases the reality, of abuse occurring.

*Transitional period*

The proposal to support the five year transition period put forward in our Report is welcome.

*Definition of family member*

The Committee is concerned that the proposed definition of “family members” for the purposes of the ban is too narrow. For instance, given modern family structures, it is anachronistic to continue to allow the employment of unmarried partners.

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<sup>9</sup> Recommendation 27

We believe that the definition of family members proposed in the National Assembly for Wales report into AMs' expenses would be more appropriate, namely that MPs should not be allowed to employ:

- A partner or former partner of a Member;
- A child or grand-child of a Member;
- A parent or grand-parent of a Member;
- A brother or sister of a Member;
- A nephew or niece of a Member;
- An uncle or aunt of a Member; or
- A cousin of a Member.

On the question of some MPs seeking to evade the ban by employing each others family members mentioned in paragraph 8.34 of the consultation, the Committee took the view that this should not be prohibited *“provided that after a fair and open recruitment competition the individual is found to be the strongest candidate”*.<sup>10</sup>

**Q.15 We propose that IPSA should prohibit MPs from renting from, or purchasing goods or services from, members of their families. Do you agree with this principle?**

Yes. This is in line with current practice and the Committee reiterated its importance in its report.<sup>11</sup> As now, the prohibition should extend to renting from, or purchasing goods or services from, close associates or businesses in which the MP, or a member of their family, has an interest.

As with the ban on employment of family members, the Committee is concerned that IPSA's proposed definition of a family member for these purposes is not wide enough. We prefer the more comprehensive definition proposed for the National Assembly for Wales suggested above.

**Q.16 Do you agree with our proposed approach to communications expenditure?**

The Committee recommended that: *“MPs should continue to be able to communicate proactively with their constituents, but the cost should be met from within the reformed administrative and office expenditure allowance.”*<sup>12</sup> Inherent in this was the notion that proactive engagement with constituents would be important in rebuilding trust in the wake of the expenses crises, but that an arrangement where expenditure on communications would have to compete with other demands on the administrative and office expenditure allowance would help to curb any tendency towards excess. We also concluded that it was important that clear guidance on funding communications through the parliamentary expenses scheme should be maintained.

The proposal to limit expenditure to advertising for surgery times, and for the production of contact cards, if that is what is intended, suggests greater limitations on expenditure than the Committee had envisaged.

**Q.17 Do you believe there should be any form of payment in the event of an MP leaving Parliament, either voluntarily or otherwise?**

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<sup>10</sup> Paragraph 6.25

<sup>11</sup> Paragraph 7.16

<sup>12</sup> Recommendation 23

The Committee set out its conclusions on the arrangements for MPs upon leaving office in Chapter 10 of its Report. In summary, we concluded that the scheme proposed by the Senior Salaries Review Body should be adopted. We continue to believe that it is reasonable for MPs who are genuinely redundant to receive the equivalent of redundancy pay. MPs that lose their seats are in an analogous position to employees who are made redundant and should receive appropriate recompense in line with comparators in other walks of life.

We also, on balance, recommended a significantly smaller payment for those MPs who leave Parliament voluntarily at the time of an election. We were persuaded by the arguments that it is important that such MPs continue to focus fully upon working for their constituents right up to the dissolution of a Parliament without then facing an immediate drop in income and that there are still some things they have to do even after leaving office such as handing on casework and dealing with staffing issues.

We concluded that those arguments did not apply with the same force to those who leave between elections. They have more control over the timing of standing down, and arguably they are breaching the compact between them and the electorate (depending, of course, on the circumstances). They are also involving the taxpayer in the cost of a by-election. Such MPs do not receive the resettlement grant at present.

We recognised the risk that restricting the resettlement grant to MPs who do not voluntarily stand down could create a perverse incentive for MPs to stand in unwinnable seats, as in the one much quoted case mentioned in the consultation paper. The Committee concluded that neither allowing all MPs to receive the grant, nor simply removing the grant from all MPs, on the basis of one individual case was a proportionate response to this risk. We concluded that it could more effectively be addressed by providing IPSA with the power to withhold the resettlement grant in any future analogous case.<sup>13</sup>

**Q.18 What impact do you believe our proposals might have on the diversity of representation in the House of Commons?**

The impact of the proposals on the diversity of Parliament is an important consideration to which the Committee gave considerable attention. Some aspects of the Committee's proposals – for instance, proposing direct provision of accommodation based upon family needs – should give greater support to individuals from a wider range of backgrounds than before.

**Q.19 Are there further areas we should consider which have not been referred to in this consultation?**

There are a number of other points in the consultation paper, to which the Committee wishes to respond.

*Capital gains*

The Committee concluded that continued support for mortgage interest for a transitional period for those MPs currently receiving it should be accompanied by the claw back of

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<sup>13</sup> Paragraph 10.20

any capital gains made over this period. Without claw back, we find it much harder to justify the continuation even for a transitional period of a practice now deemed to be unacceptable. We have been told by IPSA that they accept this in principle, but would prefer that it should be implemented outside their own scheme. Our view is still that it would be possible to address the issue by making any transitional payments in support of mortgage interest under the new scheme conditional on an MP surrendering the proportion of any capital gain attributable to public support over the transition period when they sell the property.

### *Designation of a 'main home'*

In its Report, the Committee recommended that *"The designation of main and second homes should be determined according to an objective test, consistently applied and robustly enforced by the independent regulator. Any changes in designation should be scrutinised with particular care"*.<sup>14</sup>

We are not entirely clear from the consultation paper whether IPSA believe that an objective test of what is a main and second home is necessary. We believe that it is. Without such a test an MP could claim that a room in a shared house was their main home, and ask IPSA to support a larger property elsewhere for their family.

### *Ownership of equipment*

The Committee agrees that it is important not to spend a disproportionate amount of time or money in recovering and storing low value office equipment. However, experience shows that there is scope for valuable equipment purchased with public funds to be kept by MPs when they vacate office, and it has been reported that some MPs appear to have exploited this in the past. More central provision of high value items like digital cameras may provide a better way to strike the balance.

### *Employment practices*

Paragraphs 8.8-8.14 of the consultation relate to employment practices regarding MPs' staff. As IPSA acknowledges, the Committee recommended that all MPs' staff should be appointed on the basis of merit and open recruitment, and that the House of Commons should issue binding guidance on recruitment and good employment practice.<sup>15</sup>

In paragraph 8.6 of the consultation, IPSA comments that the Committee supported the House of Commons Commission's view that MPs should remain the employer of their staff. What the Committee actually said was that *"It is important that MPs should be, and should be seen to be, following high standards of employment practice [...] One way of achieving that parity would be to move to central employment of staff. But it would not be necessary to do that"*.<sup>16</sup> The Committee did not reach a view on the merits or otherwise of central employment as opposed to continued employment by MPs.

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<sup>14</sup> Recommendation 6

<sup>15</sup> Recommendation 18

<sup>16</sup> Paragraphs 6.46-6.47

### *Staff redundancy pay*

In paragraph 11.12 of the consultation paper, IPSA expresses concern that the Committee's recommendation with regard to redundancy pay would reduce the amount of redundancy pay received by MPs' staff. The Committee's recommendation was that all the redundancy pay, rather than as at present only the statutory element, should be paid centrally, taking into account the reduction in the winding-up allowance. As the consultation paper acknowledges, our intention was not to disadvantage MP's staff. Nor do we see why this proposal should have that effect if implemented appropriately. But there are clearly other ways of achieving the same objective.