

THE COMMITTEE ON STANDARDS IN PUBLIC LIFE

REVIEW OF MPS' EXPENSES AND ALLOWANCES

**Emmanuel Centre
9-23 Marsham Street, London SW1P 3DW
16 June 2009
Morning/Afternoon Session**

Members Present: Sir Christopher Kelly KCB (Chairman)

Sir Derek Morris MA DPhil
Dr Brian Woods-Scawen DL
Lloyd Clarke QPM
Dame Denise Platt DBE
Dr Elizabeth Vallance JP
David Prince CBE

Secretariat: Ruth Alaile

Witnesses: Professor Anthony King, Millennium Professor of
Government, Essex University

The Rt Hon Harriet Harman MP, Leader of the House
of Commons

Alan Duncan MP, Shadow Leader of the House of
the House of Commons

David Heath CBE MP, Liberal Democrat Shadow
Leader of the House of Commons

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1. SIR CHRISTOPHER KELLY (Chairman): Good morning, everyone, thank you for coming. This is the first of a series of public hearings as part of this Committee's inquiry into MPs' expenses. I am Christopher Kelly, the Chairman of the Committee. Sitting on either side of me are the other members of the Committee who I hope are identifiable from their name plates.
2. The Committee has already received more than 500 pieces of written evidence which we have been digesting and discussing. These come from a wide variety of sources and we are putting all of them on our website for everyone to see. I am grateful to those who have let us have the benefit of their advice and of their views.
3. The purpose of these hearings is to scrutinise some of the issues identified in that evidence in more detail. The Committee regard the openness of the process we are following as a crucial part of establishing confidence in the conclusions we reach; giving everyone, whoever they are, the opportunity to give their views and to challenge those of others is particularly important in this inquiry. There can be no doubt about the extent of public anger at the way in which arrangements of reimbursement to MPs of expenses they necessarily incur in performing their public duties have been exploited for personal gain. Those feelings are shared by many MPs as well. It is our task, it is the Committee's task, to design a new set of arrangements which support Members of Parliament properly and adequately in the performance of their very important duties, both in Westminster and in their constituencies, but does so in a way that is beyond reproach so that shattered trust can begin to be restored.
4. In framing our recommendations we will be guided, as ever, by the seven principles of public life: honesty, integrity, openness and others with which people will be familiar. These values are timeless. If they had been followed more closely by more MPs in the last few years we would not now be in the situation we are. I am encouraged by the fact that the leaders of all the main parties are committed to accepting the recommendations of this inquiry provided that certain obvious conditions are met, and that there is now a broad degree of consensus about some of the main things which need to be done. To name some of them: absolute transparency; removal from Members of Parliament of the ability to determine their own pay and allowances; robust audit and assurance; staff to administer and monitor the system with the independence to carry out their role without fear and favour; appropriate arrangements for investigating alleged breaches of the rules and appropriate sanctions for those found to have done so; arrangements for recruiting and employing staff which command public confidence; a prohibition of anything which smacks of exploitation of the system for personal gain; and a tax regime which is fair to MPs and in line with that which applies to other taxpayers
5. I welcome the measures which have already been taken while this inquiry has been going on but, of course, a lot of the details remain to be sorted out. For the avoidance of doubt, I want to make absolutely clear that this Committee does not feel constrained by anything that has already been announced or proposed. If we think that anything should be done differently

we will say so.

6. Thank you. That is all I want to say by way of introduction. I am grateful to all our witnesses today giving their time to help us in our deliberations. Our very first witness is Professor Anthony King from the University of Essex. Professor King, you are very welcome and all of us, of course, remember that you were a very distinguished member of the original Nolan Committee.

7. I believe you have an opening statement you want to make?

PROFESSOR ANTHONY KING, MILLENNIUM PROFESSOR OF GOVERNMENT, ESSEX UNIVERSITY

8. PROFESSOR ANTHONY KING (Millennium Professor of Government, Essex University): I thought it might be worth reporting that a long time ago somebody who later became famous but was then completely unknown said this in the course of a debate, "Politicians are a set of men who have interests aside from the interests of the people and who, to say the most of them, are, taken as a mass, at least one long step removed from honest men". The speaker was Abraham Lincoln speaking in 1837 in the Illinois State Legislature, and he quickly added, "However, I say this with great freedom because being a politician myself none can regard it as personal".

9. Now, sadly, that view of politicians, that they are people who have interests aside from the interests of the people and who are at least one long step removed from being honest, is now the predominant view among the British people of our own politicians. A point I will come back to briefly in a moment.

10. But, first, I would like to congratulate you, sir, and the whole of your Committee for refusing to be pressured or bullied into bringing forward this inquiry and rushing out your recommendations. In my view, the matters you are considering - and you know this better than I do - are very complicated and difficult and they deserve to be considered in their full complexity and that will take time. Our political leaders are in a remarkably skittish mood at the moment and I think need to calm down or be calmed down. I suppose half-baked ideas are better than ideas that have not been baked at all. We have had an awful lot of both recently but I reckon that fully baked ideas are better than either and I look forward to hearing yours in due course. Better to get it right slowly than get it possibly radically wrong at speed.

11. I might just add that I have been disturbed to see the suggestion constantly repeated that this that or the other has been referred to your Committee as though your Committee could not undertake any inquiry without some august person or body having given you permission to or asked you to. Unless I mistake the position entirely, it is up to you and your colleagues, not to anybody else, to decide which inquiries you undertake. I only wish, as you

probably do, that on your own initiative you got on to this particular case earlier on, maybe a year or two ago.

12. To revert to the British people's view of Britain's politicians 150 years after Abraham Lincoln, it is overwhelmingly dismissive and contemptuous. Everybody knows that but let me just offer you three snippets of relevant evidence. Thirty years ago in 1979 when direct elections to the European Parliament were first held only 7 per cent of those who turned out to vote voted for a party other than one of the big three, the Conservatives, Labour or the then Liberals. In the European Parliament elections held a fortnight or so ago, the proportion of voters voting for a party other than one of the big three, for one of the so-called minor parties, was not 7 per cent but 42 per cent, a six-fold increase in just a generation. That increase bespeaks a very wide discontent with present arrangements.
13. Secondly, in April of this year, ICM, on behalf of the Guardian, asked people whether they thought Gordon Brown had or had not fulfilled his pledge to renew people's trust in Government. Only 13 per cent thought he had, a massive 82 per cent thought he had not. To be sure, some respondents will have taken the question to refer specifically to Gordon Brown and the present Labour Government. But even among Labour voters more than two to one majority thought people's trust in Government had not been renewed.
14. Finally, consider the responses people gave to a question that You Gov asked on behalf of the Daily Telegraph towards the end of May, less than a month ago. You Gov asked people whether they agreed or disagreed with the statement that most MPs are personally corrupt. Fully 65 per cent said either that they agreed that most MPs are personally corrupt, 46 per cent, or that they were not sure, 19 per cent. Only 35 per cent reckoned that most MPs are not corrupt. That will, of course, have included some people who think that some MPs are personally corrupt. Those figures are considerably worse than when similar questions were asked at the time the Nolan Committee was set up in 1994.
15. Two questions obviously arise; what accounts for this enormous quantum of distrust and discontent and does it matter? What accounts for it? I would only make the obvious point that the present allowances scandals are only part of the story. Millions of people were already deeply discontented and these scandals have only served to focus that discontent. Governments of both major parties blunder too often and fail to follow through on their promises. Political leaders often seem more concerned to score points off each other than to address serious problems. They appear to deal in words more than deeds, in announcements and pronouncements rather than actual accomplishments. The Westminster village seems to be located on another planet, an increasingly alien planet. For all these reasons your Committee's recommendations, even if they are sensible, which they undoubtedly will be, and even if they are all accepted, which they will be, will not by themselves change the public mood. There is only so much this Committee, or indeed any committee, can do.

16. Does it matter that so many people are so out of sorts with their political leaders? I think it matters a lot. Democracy itself certainly is not in danger. People want more of it, not less of it. But what is in danger is political leaders' ability to persuade people to accept, in a law-abiding and law respecting fashion, the sacrifices they are going to have to make during the coming years because of recession and climate change and so forth. Moral leadership can be exercised only by moral leaders. Do most people regard our political leaders at the moment, leaders of all political parties, as being particularly moral? Sadly not.
17. This Committee, it seems to me, has to address at least three broad questions, two are obvious, one perhaps less so. One of the obvious questions with regard to MPs pay, expenses and working conditions is how are MPs special? How does their situation resemble and how does it differ from the situation of people in other occupations? Against that background what should MPs be able to claim in expenses? For example, what kinds of severance arrangements and pensions are appropriate for Members of Parliament and so forth? The other obvious question, not an easy one to answer, however, is who should decide? Who should determine MPs' expenses and so forth? And who should seek to increase the chances that the overwhelming majority of MPs are honest in their financial dealings as some MPs in recent years clearly have not been?
18. There is no need for me to remind the Committee that the constitutional doctrine of parliamentary sovereignty and the idea that there should be some kind of independent body regulating the conduct of MPs do not sit comfortably together. Personally, I could not make a great deal of sense of the Government's idea of establishing a new Parliamentary Standards Authority. The less obvious question and one I think the Committee ought to address directly and grapple with is this. Should any new expenses and ethics regime be essentially principle based or should it be mainly rule based? My own hunch is that the more one proliferates rules the more likely it is that people will either find a way around the rules and/or think that anything and everything permitted under the rules is perfectly okay, even if morally speaking it is extremely dubious. Some MPs in recent weeks have implied that if they had not broken any formal rules it necessarily followed that they had not done anything wrong. Maybe they genuinely believe that, maybe not. But either way that attitude is clearly unsatisfactory.
19. The present Green Book runs to 66 pages. I am inclined to the view that most of what needs to be said is contained in only two of the 66 pages, the two headed "Fundamental Principles".
20. If, incidentally, any new arrangements are to be essentially principles and honour based then it may be that there should be some formal parliamentary means of publicly shaming MPs who dishonour both themselves and Parliament, beyond their merely apologising to the House or being suspended.

21. Three very quick final thoughts. One, although I realise MPs' pay is not central to your concerns, I happen to believe MPs' salaries are too low and that MPs should be paid in line with what people in comparably demanding jobs are paid. My reading of the opinion poll data is that public opinion is less heavily weighted against that idea than is often supposed.
22. Two, I personally deplore the currently fashionable idea that MPs should no longer be allowed to have outside interests and occupations. We do not want, in my view, to be governed not merely by professional politicians but by people who are no more than professional politicians and who know little or nothing from direct personal experience of the working world beyond the Westminster village.
23. Three, the current Communications Allowance, which incidentally covers fully 6 pages of the 66 page Green Book, permits, even encourages, sitting MPs to distribute personal propaganda to their constituents at taxpayers' expense. That particular allowance is, in my view, indefensible and a total disgrace and should be abolished forthwith.
24. As you can tell I am in danger of starting to rant so I had better stop now.
25. SIR CHRISTOPHER KELLY: Thank you very much, Professor King. Can I begin with the third of your three questions, which seems to me to be a very interesting one, in the sense we have the principles, you helped to collaborate on the Seven Principles of Public Life and they are principles that most people would accept, particularly behaving with honesty, integrity and openness. That seems to have been the basis for the notion of Honourable Members of Parliament acting in honourable ways of conducting themselves, but it seems to have failed. Were you really suggesting that we should revert to simply a principle basis that went away from those?
26. PROFESSOR ANTHONY KING: My concern, and it is only a concern, and it arises out of a suspicion as I said, and I think there is quite a lot of evidence to suggest that this suspicion is right, that the more you base a system not on people's willingness or unwillingness to sign a declaration that they have incurred expenses, for example, solely in the performance of their duties, the more you move away from that statement of honest behaviour to the proliferation of rules, the more likely, as I said, you get into a situation in which people are looking to see whether they can get around the rules, looking to excuse themselves on the grounds that things were in accordance with the rules.
27. It is perfectly obvious that any statement of general principles has to be backed up by some guidance as to what is appropriate and what is inappropriate. My own instinct would be to distinguish between a statement of principles, which is well done in here in my view, on the one hand, and on the other hand some spelling out, not necessarily in the form of numbered rules, of what the implications in practice of those principles are. They do two things, one is invite Members of Parliament, or whoever, when they sign a

form to take seriously the words on the form, which quite clearly a lot of them have not been. Secondly, to have people - and it is up to you to think about who those people should be - remind MPs constantly that what they are doing is signing that form containing those principles rather than just abiding by written rules. Something like that.

28. SIR CHRISTOPHER KELLY: We will come on to the question of who the regulator should be in a minute, but just sticking with this question for the moment. It has been quite interesting that with the advent of transparency because of what happened following the request under the Freedom of Information Act that a number of Members of Parliament now feel ashamed of what it was they were doing when it was not transparent. That implies there were questions of culture involved here. What do you think there is about the nature of the House of Commons and the people who become Members of Parliament who appear to behave with integrity in all other respects but nevertheless felt it was okay to exploit the expenses system for personal advantage? What is that telling us about the culture and what we can we do about it? Other than changes to rules and regulations to make sure it does not happen in future?
29. PROFESSOR ANTHONY KING: I did not use the word “culture” in answer to your previous question, sir, but it was certainly culture that I had in mind. If Honourable Members really were, all of them, Honourable Members, if the culture was such that it never occurred to them to claim for some of the things that have been claimed then the need for either formal statements of principles or for elaborated rules would not arise. What I was trying to hint at in my answer to the previous question was that I think what is very important, more important than the elaboration of rules and procedures, is to change the culture. I think that the culture has almost certainly already been changed. Members of Parliament are going to be much more careful in the future than in the past in what they claim. Of course I did not speak of transparency because I take it it is obvious that Members of Parliament should be required to let not just their constituents but the people in general know what they have been spending taxpayers’ money on.
30. But culture is crucial. It is precisely for that reason that I worry a little bit, or would worry a little bit, if the Committee’s recommendations focused on procedures, personnel, rules and so on and did not lay enormous emphasis on the need for people to stop behaving in ways that they should not behave in.
31. SIR CHRISTOPHER KELLY: My point was there is nothing in rules that helps if people are not themselves behaving with integrity. That requires leadership as well as changes in personal behaviour. Elizabeth.
32. DR ELIZABETH VALLANCE: Good morning, Professor King. When you were on the Nolan Committee, 15 years or so ago, you as a Committee accepted the case for self-regulation of the House, albeit with an independent commission to investigate complaints. Are you still an unreconstructed

Nolanite? Would you still back self-regulation? Some of what you have said to us this morning would suggest that you still hanker after that.

33. PROFESSOR ANTHONY KING: I take it there is a straightforward conundrum and I stated it briefly, which is that the legal doctrine in this country, absent a codified constitution, is one of parliamentary sovereignty and yet one does want a degree of independence and the question is how the two are to be married. I have read the Prime Minister's statement on the subject. I have read what other Members who debated that statement had to say. I have read another Government statement on the issue and I am as unclear as I was when I started as to how that circle is going to be squared. For example, there are hints in some of the things that have been said to suggest that an independent regulator should actually be allowed to expel a Member of the House of Commons. Well, on the face of it that seems rather rich, at least in the past - and maybe this does not matter - the only people who could expel members of the House of Commons were other members of the House of Commons. But, leaving that aside, are we to get into a situation in which some independent party, a judge or Sir Christopher Kelly, announces that somebody shall be removed from the House of Commons who has been elected to the House of Commons?

34. I am not for a moment suggesting that these issues are intractable to the point of being insoluble but they are being fudged at the moment and you cannot fudge them indefinitely. There has to be some view taken about this.

35. DR ELIZABETH VALLANCE: That brings to us to the problem of how it is actually being instructed. As you say, it is at the moment very uncertain. Do you think, for example, some of the principles the regulator can do, among other things, sets the allowances, administers the system, deals with complaints, a whole raft of duties, do you think this is just very confusing, do you think it is possible for one body to actually fulfil all of these issues, some of which may be in conflict?

36. PROFESSOR ANTHONY KING: I doubt it. I looked carefully at what people had to say about that. I used the phrase in my opening statement, half-baked or not baked at all. These ideas seem to me to probably qualify as being, at most, one-eighth baked. They make no kind of sense to me. I have not thought through what one might do. I would only make two obvious points. One is that once the Elizabeth Filkin business was out of the way, her successor and the existing Parliamentary Commissioner for Standards operation seem to have worked reasonably satisfactory. You may tell me that is not so but that is my impression. I would be disposed to want to build on an already existing institution, perhaps to develop it in some ways rather than creating something entirely new, which in the nature of the case would have no background, no track record and no experience to draw on.

37. The other aspect of all this which I have hunches about but I do not begin to understand is, of course, the way in which what used to be called the Fees Office has operated. A friend of mine, who had better remain unnamed, said to me on the phone the other day that a lot of MPs seem to think the Fees

Office was an ATM machine. Then one asks oneself why the, as it were, owners of the ATM machine allowed it to be used in that way? There is clearly a problem there. Whether that problem is best solved by creating an entirely new institution and merging the various different functions you have referred to is very much another question.

38. DR ELIZABETH VALLANCE: But your ATM point is again cultural, is what you are suggesting.
39. PROFESSOR ANTHONY KING: It is cultural certainly, but what I had in mind was the apparent willingness of the Fees Office, over a considerable period of years, effectively to conspire with Members of Parliament to grossly violate the very principles that have always, as I understand, been set out in the Green Book. There is something wrong there. People, I have noticed, write about it in general terms in the newspapers, raise questions, but I have not seen much in the way of analysis of how that administrative culture, if I can use that phrase, came to be developed.
40. DR ELIZABETH VALLANCE: Let me ask you specifics. You say you have not thought this through in its entirety and I do not think anybody has, but specifically, for example, if there were to be a PSA how would you say it should be appointed and to whom do you think it should be accountable, because that is all pretty basic?
41. PROFESSOR ANTHONY KING: It is indeed very basic. To whom should it be accountable? The present Parliamentary Commissioner for Standards is accountable to a select committee of the House of Commons. It seems to me one has here a rather straightforward difficult choice which is do you have a body that is really completely independent of MPs in Parliament or do you have a body that does in the end report to some such committee.
42. Incidentally, I think one can be creative about how one handles that situation so that, for example, let us suppose that there were a three person body, a Parliamentary Commission for Standards rather than a Parliamentary Commissioner for Standards, and let us suppose one kept the formal position in which that person reported to, say, the Commons Standards and Privileges Committee. One could create a situation, possibly by law, such that if the recommendation of the Parliamentary Commission for Standards or commissioner were not accepted by the Committee on Standards in Public Life, that body would be automatically abolished. It would cease to exist.
43. I hear about squaring circles, that would be one way of squaring the circle, keeping the form of parliamentary sovereignty but greatly increasing the risks to Parliament in general, to individual MPs, at the same time.
44. DR ELIZABETH VALLANCE: That is an interesting idea. Do you think that there is a risk at the moment of this being executive-led?
45. PROFESSOR ANTHONY KING: That rather depends on you. Is there a risk of it being executive-led? We in this country are used to practically

everything being executive-led. We have one of the weakest legislatures in the democratic world.

46. DR ELIZABETH VALLANCE: That is my point. Should this be done by Parliament rather than by the administration, as it were?

47. PROFESSOR ANTHONY KING: As happened actually in the case of the Nolan Committee's main recommendations in its first report - I sat in the gallery of the House of Commons - the House was divided across party lines and in the end, somewhat grumpily in the case of some MPs, agreed with most of our recommendations. My hope would be that this process will not any longer be executive-led but will be led by you.

48. DR ELIZABETH VALLANCE: Thank you. Could I just, as a final question, ask you, it has been suggested that in addition to the PSA there should be a statutory code of conduct for MPs. Is that just another bit of rules based rubbish? Will it do anything?

49. PROFESSOR ANTHONY KING: In the first place, again, I noticed that newspaper reports rather imply that the House of Commons does not now have a code of conduct; it has a great thick code of conduct which I have in my briefcase over there, or rather would have if I had not decided it was too heavy to bring along today. Put this on a statutory basis? What for exactly? I take it putting it on a statutory basis implies that it is to become justiciable. What are the implications of that? Is a court of law to decide that somebody has broken the code of conduct? If a court of law is to do that is that the end of the story, could the court of law expel a Member from the House, and so on and so forth. These issues are being talked about, including by members of the Executive, as though they were simple and straightforward when they are anything but. They can be dealt with, I do not mean to sound hopeless or despairing, but they have to be dealt with by being very carefully thought through and their implications considered not in terms of the kind of sound bites we have been getting.

50. DR ELIZABETH VALLANCE: Thank you.

51. SIR CHRISTOPHER KELLY: Professor King, can I just clarify one point. You have raised questions about the precise way in which the proposed new Parliamentary Standards Authority would operate and indeed whether different models would not be preferable. Are you casting any doubt on the principle underlying it, as far as it is possible congruent with the sovereignty of Parliament? That it is to take away from the House of Commons the right to set its own expenses system as well as its own pay?

52. PROFESSOR ANTHONY KING: No, I think that that as a general proposition is highly desirable. I am just saying it is a little bit more difficult actually to do it than sometimes seems to be supposed.

53. SIR CHRISTOPHER KELLY: Thank you. Denise, did you want to ask something? David, did you want to ask anything on this? Thank you, Brian.

54. DR BRIAN WOODS-SCAWEN: Professor King, can I ask you about outside interests. The Nolan Committee recommended that Members should not be banned from having outside interests and you have repeated that view today. There are contrary views. Could you evaluate the strength of those contrary views?
55. PROFESSOR ANTHONY KING: I will evaluate the strength of the contrary views by stating the case for MPs being allowed to have outside interests and I think the issues raised are very substantial. We live at a time and in an age with the increasing professionalization of almost every occupation, of almost every walk of life, an age in which politics is increasingly a career profession. I wrote a paper about this which I still think is quite a good paper called *The Rise of Career Politician in Britain*, which I published in a learned journal in 1981. It is not exactly the latest issue to arise. It seems to me that it would be desirable if those professional politicians - and the great majority of them will be - should have had, in an ideal world, some real experience of police work or doctoring or whatever and should be encouraged, positively encouraged, while they are Members of Parliament, subject to the usual conflict of interest constraints, to go on doing things that relate them to the world outside the Westminster village.
56. If an MP is a dentist and reckons he or she has time to spend a week practising dentistry that will give them some personal experience of the way in which the dental service is or is not working. I have talked to a very large number of MPs, ministers, former ministers, who say they have found it invaluable to have had some direct experience of running a trade union, of being involved with financial institutions, with manufacturing businesses and so on.
57. Now, you can make an argument that if people are not to be encouraged to have outside interests they should become seriously full-time, not constituency fixers but Members of Parliament. So that, for example, if one had a Parliament which was more than a debating chamber but actually functioned as a legislature, as, to take the obvious case, the American Congress does - in the less obvious case, as the German Bundestag does - then you could begin to make out a case that if people are actually working at Westminster as senators and congressmen work on Capitol Hill then they might be barred from having outside interests but the case for that would be partly because they simply would not have time to give it to it.
58. I am sorry, that is a rather long answer but I do not see this primarily as an ethical question, I see it primarily as a quality of Government question. As long as we have the kind of system we have, broadly speaking, then I think it would be deplorable if you became an MP and that was it as far as doing anything apart from being an MP was concerned.
59. DR BRIAN WOODS-SCAWEN: The implication of what you are saying is that as presently constituted, given the role of the legislature, that being a

MP serving constituents, shaping the affairs of state, is simply not a full-time job?

60. PROFESSOR ANTHONY KING: If they shaped affairs of state it might be a full-time job but ...
61. DR BRIAN WOODS-SCAWEN: But at present?
62. PROFESSOR ANTHONY KING: But they do not shape affairs of state. To go back to Elizabeth Vallance's point, this is a highly, highly executive-led system. Incidentally I am delighted - this is not a matter for you - and I hope under the guidance of Dr Tony Wright the House of Commons collectively is beginning to address the question as to how it could function better as the House of Commons. As regards constituency work, again this is a general governmental point. It does concern me that Members of Parliament are spending more and more time doing constituency work. I think if you looked at MPs' diaries say 20 years ago, 40 years ago, 60 years ago, you would find there has been a real shift in favour of constituency work. I am not at all clear that Members of Parliament should be doing a lot of that work. In case of Scottish, Welsh and Northern Ireland MPs much of what they are doing is irrelevant to what happens in those parts of the world. In the case of English MPs, with privatisation having gone as far as it has, contracting it out having gone as far as it has, and so forth, MPs constituency work to a very considerable extent comprises there being a one-stop shop while they get an answer from a local authority or from a privatised institution and then claim the credit from their constituents for having achieved something which they have actually farmed out to somebody else.
63. DR BRIAN WOODS-SCAWEN: Many members would claim that the growth in their constituency work has been driven by the fact that citizens are increasingly powerless or feel powerless facing bureaucracy and that their role is to plot a course through bureaucracy to give them a voice.
64. PROFESSOR ANTHONY KING: I have much sympathy with that view but there are only so many hours in the day, days in the week, and if a very large proportion of MPs spend their time performing that function they are inevitably not performing another function. I suppose my response to that suggestion would be to provide MPs, possibly by a different means than they are now provided with, the staff and office facilities so that somebody else can do the work.
65. If you are a member of the United States House of Representatives and you represent a district in California, there is no way you can be the kind of hands on member that our MPs try to be, but a great deal of the work will be done in your district constituency office. As far as I can make out it is often very satisfactorily done. I do not think it has to be done by MPs personally. So I am not against what they do, I am worried about what they do not do when they are doing the kind of work you are talking about.

66. DR BRIAN WOODS-SCAWEN: If it were accepted that there should not be a ban on outside work, roles, remuneration, how far would you go in terms of disclosure so that everyone is aware of the way in which MPs are using their time? To what extent do you think there should be a cap on their outside involvement so as to make sure that they are at least devoting an adequate proportion of their time to the job of being an MP?
67. PROFESSOR ANTHONY KING: This is a very good example where I get instinctively worried about rules and regulations. Time. I am a university teacher and I keep being asked how I spend my time. I had quite a good idea in the shower the other day, how am I supposed to clock that up? I would leave it frankly to politics. After all, if somebody is doing so much outside and the Register of Members' Interests shows that he or she is earning a couple of hundred a year, it will then be up to that person's constituency, party or association, up to voters, up to colleagues, to decide whether that is appropriate. For what it is worth, I imagine many of you will agree with this, it is very often people who are very busy who are very effective. They manage to combine a lot of outside work of one kind or another with doing their job properly. They are high energy, well-organised people.
68. My strong impression, and correct me if I am wrong as I have not kept up with this in detail, is that the present arrangements under this heading work tolerably well.
69. DR BRIAN WOODS-SCAWEN: So, in summary, you would not propose any changes to the current arrangements?
70. PROFESSOR ANTHONY KING: I would need to be persuaded that they were desirable.
71. SIR CHRISTOPHER KELLY: Can I just pursue that point a bit further. One of your original questions was how are MPs special, and in this particular case if most people working in a full-time job wanted to take on an outside interest they would ask their employer, unless it was written in their contract that they could do so, whether that was okay and the employer would take a judgement on that on the basis presumably of benefit to the organisation that employed them and with some attention to the development of the individual concerned. MPs are special in that there is no employer and I guess that those who want greater transparency for outside interests would argue that their constituents are their employer and that therefore one way of making sure that their constituents are happy with the amount of time that their Member of Parliament is spending on outside interest and therefore not on their interests would be to make sure that there is some arrangement which makes it absolutely clear what they are doing either annually or at least at the time at which they are elected.
72. PROFESSOR ANTHONY KING: I take it at the moment if I sit on a company board, for example, and I am a Member of Parliament, the Register of Members' Interests records the fact that I am sitting on that board, how much I am remunerated and so on. I think I take the view that the test ought

to be whether the MP is doing his or her job. That test should be applied, as it will be, by parliamentary colleagues to some extent and one has known people whose careers have not prospered because it is thought that they have been spending far too much time doing things that had nothing to do with the House of Commons. As I said a moment ago in response to the earlier question, I would leave that to the best judgement of their constituency, party or association and their votes. I do not really think anything is to be gained at all by filling out timesheets and so on and so forth; the test is, is he or she doing a good job.

73. SIR CHRISTOPHER KELLY: But in order to do that the constituents would need to know what they have a right to expect of their MP. Do you think there is sufficient clarity in the public's mind about what they should expect of their Member of Parliament?
74. PROFESSOR ANTHONY KING: Very large numbers of constituents seem to be of the view, going back to your question that they have the right to expect their Member of Parliament to conduct regular surgeries, to answer a substantial volume of constituency mail, to respond to form letters of one kind or other. Certainly in my experience an MP who is thought not to be answering letters properly gets into trouble with his or her employers, who are indeed ultimately the voters, pretty quickly. MPs get reputations very fast as to whether they are good or not good constituency MPs.
75. As I said earlier, one of the things that worry me slightly is that some MPs I suspect are good constituency MPs at the expense of being good members of the United Kingdom Parliament. There are frequent complaints, of which I have some sympathy, that the parliamentary week has been reduced in size, that there are very long recesses. That is fine from the point of view of MPs' constituents who can claim more of their Member's time. Perhaps not so good for the country.
76. DR ELIZABETH VALLANCE: Just a quick additional question on that one. It is really a statement. If an individual in commercial life were to take on a non-executive role, it would be one non-executive role, or perhaps two at the most, and that would be the norm. They would not be encouraged by their employers to take on very large numbers of extra curricular activities. Do you not think the same should apply just on the basis of "what is special about MPs", do you not think this kind of criterion might be applied to Members of Parliament?
77. PROFESSOR ANTHONY KING: It might be but I think it should not be. I can imagine somebody who wants to take a serious interest in the manufacturing industry or somebody who wants to take a serious interest in banking or somebody who wants to take a serious interest in trade union law or whatever, I think you can make out a perfectly good case that that person might actively be encouraged to sit on the boards of two or three companies or whatever. I just do not see that this is a problem.

78. I know that lots of people say that this is all terrible and wicked and horrible and people are neglecting their duties; I know of very little evidence that that is actually so. It may be so in a few individual cases but I think one of the problems we as a society face at the moment is that we make rules to deal with a few awkward difficult cases that have ramifications throughout the system and may leave the system as a whole to work less well than it should do.
79. SIR CHRISTOPHER KELLY: When you say you know of no evidence of it being more than an individual problem, what would evidence look like?
80. PROFESSOR ANTHONY KING: To repeat, I am probably not making myself clear, the evidence would be that somebody was not doing their job. If somebody, for example, a reasonably senior back-bencher were looking after his constituents' interests reasonably well and to their satisfaction, if he or she were speaking in the House of Commons, participating in the relevant select committee, then I think the issue of how many outside interests that person had falls. I would not care.
81. Anyway, the business of numbers, clearly one person can have one outside interest and devote an enormous amount of time to it whereas somebody else might have 20 and do very little under any of the headings. I think to try to formalise this and bureaucratised it would have the effect of taking a group of people who collectively in my view do not have enough real hands-on contact with the world outside the Westminster village and reduce the number of people who do have that kind of contact and make the Westminster village even more enclosed, even more a hot house than it is already. I would be horrified if we went in that direction.
82. SIR CHRISTOPHER KELLY: Thank you. Lloyd.
83. LLOYD CLARKE: On a different subject, please, Professor, in your opening presentation you singled out one allowance and that was the Communications Allowance, and you were very strident that it should be abolished. Could you explain a little further why, please?
84. PROFESSOR ANTHONY KING: I want to do this without embarrassing my own Member of Parliament whom I like and who I think does a good job, and who, for all I know, has outside interests. But I confess I was astonished when I received a document through the post a year or two ago which looked like propaganda for this person's re-election. I am sure if I read the fine print I would have realised that it was a straightforward accurate unembellished account of all the wonderful things he did but I did look for the name of the party on the document and was rather startled not to find it because I did not know about the Communications Allowance and what it could be used for.
85. There is a reference, I think, in your issues and questions paper to this and you report blandly and neutrally that it is sometimes suggested that this gives incumbent Members of Parliament an advantage. If it does not do that what is it there for? I know the cover story but my strong impression is that it

is there to reinforce the Member of Parliament's standing in his or her constituency.

86. LLOYD CLARKE: Sure, the proponents for the Communications Allowance would say before the Communications Allowance it was done anyway and it was funded from either incidental expenses or from acquiring money from other budget headings. So that is one thing they would say. The second thing is that they would probably pray in aid the recommendations of two inquiries, Putnam Commission and Power Inquiry. There is one recommendation in the Power Inquiry which says this, "MPs should be required and resourced [that is where the money is added to it] to produce annual reports called Annual General Meetings and make more use of innovative engagement techniques." Now, those for it would say that is exactly why we need the Communications Allowance in this day and age. Does that not seem reasonable?
87. PROFESSOR ANTHONY KING: One of the difficulties with all of these things is that many things seem reasonable. The question is what you should do, if anything, about them? Notice that that line of argument leads more and more to the idea, which I thought had been rejected 200-300 years ago, that Members of Parliament were primarily the agents of their geographically located constituents. I take the view, which in some senses is an old-fashioned view but in other ways is a modern view, that the Member of Parliament is a Member of the United Kingdom Parliament and that people's duties lie there. They lie in the governance of the UK not in performing the kind of functions that the Power Commission was talking about.
88. By the way, can I say parenthetically that I noticed recently that the Power Commission's report is being cited as though it were a document of great substance and standing but for what it is worth can I just register that I am not myself that impressed. I would not regard that as having biblical status.
89. LLOYD CLARKE: Okay, fine. Just one final question, I really note the tenor of what you are saying in terms of not liking the idea of rules and having principles, but certainly in this area those who would want to see the communications budget to remain really would like to see the rules of it tightened, greater transparency in respect of how the budget is spent and that seems as though it would satisfy some of those who would want to retain it.
90. PROFESSOR ANTHONY KING: Again, I have a sort of administrative cast of mind, I am not saying I am a good administrator but if you want to get from A to B, I kind of like to go to B and work backwards and think, now at what point would you say that a quarterly letter from my MP was breaching some kind of rule. There are roughly 650 Members of Parliament, is there going to be somebody who is looking at all of these and saying, "That one is all right. That is neutral, straightforward, factual, but that one is propaganda". It seems to me unless there is something clearly seriously wrong, do not go down that kind of route.

91. Incidentally, I meant that last remark, as I hope I implied, to be somewhat off the cuff. I would want you to look at it. I can only say, and perhaps it is worth reporting, that when I first received one of these documents from my constituency MP, who is a good Member of Parliament by the way, I was shocked. I was actually amazed that public money appeared to be spent on this kind of thing.
92. LLOYD CLARKE: Thank you.
93. DAME DENISE PLATT: Yes, I want to follow up your point about constituency and UK Parliament. In a lot of the evidence which we have received from current MPs they describe themselves in their role as being like a small business or quite often a family business because constituencies are so different that they need to organise themselves in a way that a small business or a family business might do to respond to those pressures. I just wonder what your comment is on that. Is that an appropriate model?
94. PROFESSOR ANTHONY KING: I am not sure whether the emphasis is on small business or family business. Again, I tended to think of myself over the years as something of a Cavalier, reading the Daily Telegraph I discover I am more of a Roundhead than I had previously supposed. I do not find that model completely unattractive. There is a degree of organisation involved. I do not myself particularly object to hiring family members, provided that the family members are doing the job, as often happens in a small business. I am rather relaxed about that to be honest.
95. One thing that does occur to me is that there might be something to be said for a publicly funded and neutral venue for Members of Parliament in their constituencies so that their office would actually be provided by the state in a direct form so that you would not have, for example, Members of Parliament conducting their constituencies in the local party headquarters. I would have thought that was at least worth thinking about.
96. Have I responded to what you were asking me about? I am not quite sure.
97. DAME DENISE PLATT: Yes, I think if you are referring to something as a small business or a family business, and you are right the two are not distinctive differently, it sort of fosters a proprietorial air in relation to the geography which sent you to Parliament. Some of your comments seem to suggest that the balance between constituency and Parliament had somehow got out of kilter and maybe, thinking it through, the small business model might balance it more in favour of the constituency and the proprietorial air about, "These are my local customers".
98. PROFESSOR ANTHONY KING: Yes, I think that is right and that is what is happening.
99. Incidentally, can I just make the point, which I have been around long enough to say with some confidence, that the notion that MPs should devote

very large amounts of their time to their constituencies, to their constituents, is a tolerably recent idea. I could not date it at all precisely but I remember there was a splendid Conservative MP for East Hertfordshire, as I recall, who visited his constituency regularly, twice a year, and I daresay he answered letters that came to him at the House of Commons. Well, that whole culture has changed and I am at least as concerned with the quality of the country's government as I am with the quality of its democracy. One of my central concerns - I promise not to rabbit on about this, but I could - is that we could get into a situation in which we became more and more democratic and less and less well governed, with a paradoxical consequence that the more democratic we become, the more angry people were with the country's misgovernment.

100. SIR DEREK MORRIS: You have given us a very clear picture of MPs as Members of the UK Parliament, and playing a key role as legislators of Parliament. That has all sorts of implications for other jobs, which we have talked about, for various types of allowances, accommodation allowance, Communications Allowance and so on. Could I put to you the proposition that irrespective of the desirability or otherwise of that picture, it is not the actual practice at the moment - we are a long way from that - that the typical backbench MP, I would suggest, has a relatively weakened role in the legislature, and typically spends a huge amount of time in their constituency. If that picture is right, the problem for this Committee is do we attempt to address the expenses regime in the light of this desirable picture that you have described, or do we, perforce, have to develop that regime in the light of what the actual practice is at the moment?

101. PROFESSOR ANTHONY KING: I think you have no choice but to develop a regime in the light of practice at the moment, but I would urge you not to do things that are not necessary for that purpose, not essential for that purpose, but might have knock-on consequences if, as at least is possible, the role of Members of Parliament is going to be changed. You focus on the issues that concern you, which is what you should focus on, but one of the things that does appear to be happening - I hope is happening - is that MPs, the Executive is seized of the desirability of rebalancing that relationship, so that, for example, legislation is scrutinised carefully as it goes through the House of Commons, rather than huge amounts of things going through on the nod. In other words, I do not think you should accept the status quo, which you have accurately described, is necessarily going to remain the status quo into the indefinite future. It may, but it may not.

102. SIR CHRISTOPHER KELLY: Professor King, one of the things you said in your opening remarks was you thought that the salaries of Members of Parliament were too low. Would you like to justify that remark?

103. PROFESSOR ANTHONY KING: One thought - again, I can only go by what I read in the newspapers and what I hear talking to MPs, amongst others - which is that the present scandalous situation has arisen in part because members of Parliament have been encouraged to think of their "allowances" as distinct from their expenses, as part of their income, just as journalists used to think of lunches that they may or may not have eaten, but for which they

claimed as a legitimate part of their income. It became part of the system, it became what was normal. I think that if MPs are no longer going to be allowed to make claims of that kind, there is something to be said for just straightforwardly increasing their pay. That was a minor consideration, I felt, when I was a member of the Nolan Committee a long time ago, that MPs were not paid enough, and very simply, I think that if you are asking people to do a pretty demanding job, certainly if you take it all seriously, if that is a job that does require quite a wide range of skills, then you should pay them on the same basis that they would be paid if they were doing similar jobs - but there are no identically similar jobs - in other lines of work. I think that that points to a salary which would not be enormous. It would not be as large as, for example, a chief executive of a local authority, let alone a big company, but would be in the order of £80,000 or whatever, rather than the present £64,000.

104. But as I understand it, that is not what you are principally concerned with. I have a worry, by the way - and you may think it is misplaced - I am worried about recruitment to political positions. Many people in public life lead lives which are very much open to public scrutiny including their families and their sex lives; increasingly, outside interests are being frowned on more and more. I could continue the litany. I certainly know of too many people, including some of my students, who say they would not touch public life with a barge pole. If, on top of all that, you point out to them that if they become an MP they will get less than they would be paid if they could do other jobs in industry or in the law or wherever, that is a further disincentive. I think there is a real problem recruiting quality people. It is not a numbers problem as any number of people want to become MPs. It is a quality problem.

105. SIR CHRISTOPHER KELLY: We could go on on that subject for some time. Thank you very much, Professor King. Is there anything you wanted to deal with?

106. DR BRIAN WOODS-SCAWEN: Professor King, you have argued for the privacy of the role of Members in shaping affairs of state. Under the current arrangements if Members choose, for reasons of principle, not to take up their seats, having been elected, they get a full set of allowances. Do you think that is right?

107. PROFESSOR ANTHONY KING: Probably not. How much time I would want to spend sorting it out, I do not know. I think that before I came to any firm conclusions about that, I would want to know what would be the effect on the unstable political situation in Northern Ireland of going down that particular road. Clearly, it is monstrous. It is completely improper, but Northern Ireland is a special place and I think requires being dealt with special care. I take it we are talking about Northern Ireland? I would want to be a little cautious.

108. DR BRIAN WOODS-SCAWEN: Do you see this essentially as a pragmatic rather than a constitutional matter?

109. PROFESSOR ANTHONY KING: I do not accept the distinction. Many constitutional matters are highly pragmatic, and some highly pragmatic

matters are constitutional. The question is how should one deal with this? And I would deal with it pragmatically.

110. SIR CHRISTOPHER KELLY: Thank you very much. Is there anything you wanted to say to us you have not had a chance to say?

111. PROFESSOR ANTHONY KING: On the contrary, I have gone on for quite long enough. You have been very patient.

112. SIR CHRISTOPHER KELLY: Thank you very much for giving us your time and the benefit of your advice. Thank you very much for coming to talk to us this morning.

THE RT HON HARRIET HARMAN MP, LEADER OF THE HOUSE OF COMMONS

113. The next witness is Harriet Harman, the Leader of the House of Commons. We have had the benefit of a written piece of evidence from you. Is there anything you want to say by way of an opening statement?

114. RT HON HARRIET HARMAN MP (Leader of the House of Commons): Firstly, just to thank you very much indeed for undertaking this work, which since you have started it has become ever more important, so we are very grateful to you for doing it.

115. I think what I would just like to say at the outset is that having been in the House of Commons for more than 25 years, I firmly believe that the overwhelming majority of Members of Parliament are going to Parliament to serve the public interest, not to serve their own self-interest, and are hard-working and decent people. I think that all Members of Parliament know that the public expect us to sort out the problem of expenses, that is what we fully intend should happen and also that there is no intention that it should be kicked into the long grass. We recognise that it needs to be done quickly, and we also recognise that we cannot do it ourselves, that there is no public tolerance for us running our own expenses system any more, that it needs to be set and operated independently. So we are very grateful indeed for you undertaking this work.

116. I notice that you were just discussing some of the very important principles that lie behind this, and perhaps I can just say something about the principles, firstly about the constituency link. That is absolutely basic, so any allowance system needs to underpin and support the constituency link. That is what we are there in Parliament to do. Whatever we do in Parliament, if we are not elected by our constituents and serving them, we are just not there. So the constituency link, I think, is absolutely fundamental. I always notice that parliamentarians from other countries are amazed that we go and sit in our town hall on a regular basis, that constituents come and see us without an appointment and that we are accessible. I think we feel that means we know what we are doing and we know what our constituents want. So the constituency link is absolutely vital.

117. I think the other thing is it is important for us to provide a good service to our constituents. When I first became an MP, there were virtually no allowances for office staff, and actually, it was quite difficult to respond to all the letters we got, to all the phone calls we got, to all the visits we had to our surgery. I think the expectations of people in public life, the expectations of members of the public is that if they write to you, if they email you, if they phone you, they want an answer. In the olden days, I remember when I used to sit with the MP that I took over from, Harry Lambourne, people would come and see him and after they had told their life story, he would say, "Leave it with me". You could not possibly say that any more now. You have to say what you are going to do, you have to respond and confirm you have done it, and then you have to do it. So I think it is very important that the allowance system underpins good professional offices for Members of Parliament.
118. I also think it needs to underpin good communication with our constituents. We need to be able to communicate direct with them, not have to triangulate through the newspapers or through the media. I think it is important that we can communicate directly with them in a proactive way.
119. The next principle is what the Americans call "log cabin to White House principle". I do not think that you should have to have independent means to be able to live in two places and to be able to support your office work. It should be provided.
120. So the next point is about family life. I think it is very important indeed that we do not have a Parliament full of people who have not yet had children or whose children have grown up. I think for most people, they are in family life as well as in their work life. They are working and bringing up their children; they are working and caring for older relatives. That voice in Parliament is very important in shaping public policy. If you have only people who have delegated their private lives entirely to somebody else, then you will not have policy shaped in a way that recognises and understands family life. So the allowance system needs to recognise that we have got to support people to have a family life as well as being an MP, and that would mean that the kind of barracks solution, just a barracks solution, might not support that. People need to have their family with them in their constituency and when they are in Westminster, and that is especially an issue for women, who are still mostly the primary carers for their children, and would not necessarily be prepared to abandon their children to just be in one place while they themselves have to live in two places.
121. The next point is about the allowance system possibly could do more to support those with disabilities being Members of Parliament, and again, this is not just a point of principle. Parliament should not exclude people with disabilities. It is also about shaping public policy. A lot of people do have disabilities, but still play a big part obviously in every aspect of life, and I think to have that voice in the House of Commons makes our Parliament more representative and more able to shape public policy.

122. The next point is I think it should be simple. I think an allowance system which is only understood by Members of Parliament and by the Fees Office that is Byzantine in its complexity will simply arouse suspicion, and therefore it needs to be simple. I realise it is quite difficult to make sure that we combine all of these things, and obviously it needs to be transparent. People are just not inclined to believe something is fair and reasonable if they cannot actually see it, so transparency is important.
123. I think against a background where everybody recognises there is a tightening fiscal situation, I think when all public services are being asked, "Even if you are getting extra money, can you spend every pound of money you have got better?" I think we have to ask the same question of the MPs' allowance system, "Can it cost less? Can it be better value for money?" Then of course there is the issue about second jobs. Now, from 1 July, we are introducing a transparency system, so all income other than from the work as MP will be transparent for the first time, but I think that we are very grateful to you for looking at the issue of second jobs as well. Certainly, if somebody was working for me in my constituency office and I did not know that they had a job that was paying them £200,000 and that they had not told me about it, I would wonder about their commitment to me. I would certainly want to know about it, and I probably would not want to employ them, so I think that that is quite an important issue. I think the transparency is going to trigger more interest in the work that you are doing on second jobs.
124. I would like to just say that we have already taken some action, so that people do not think that we have not taken action, although the most important thing is the work that you are going to be doing. MPs can no longer claim for furniture. There can be no what is described as flipping between different main or secondary residences. There is now a cap on mortgages and rent income. Receipts have to be presented for every single bit of expenditure; those receipts and the claims are going to be subject to a full scope audit under the supervision of the National Audit Office. There is going to be publication of all receipts and claims every quarter, and for the last four years of claims, under Sir Thomas Legg, we are having scrutiny by accountants and independently, all four years' claims. If any claims have been out with the rules, the money will have to be paid back.
125. SIR CHRISTOPHER KELLY: Thank you very much. Can I begin with a general question? If we accept that the vast majority of MPs become MPs in order to work for the benefit of the country and behave with integrity and honesty and so on - and I accept that - nevertheless a large number of them have done things with the expenses system in the past which now transparency has come about, they feel ashamed of. The response to that clearly has to be things like all those things you have mentioned, changes in rules and regulations and so on, but there seems to be an underlying cultural issue. Do you think that changes in rules and regulations and who oversees the system will be able to address the cultural issue which has allowed the situation on reimbursement of expenses to go on?

126. HARRIET HARMAN: I think that we have the elements in place to sort the system out. One is clear rules. We have already clarified the rules greatly from the system that used to be, and obviously your work is going to contribute to that. The other is full scope audit, so that the things that previously were not subject to audit which have subsequently become public and have caused problems. The other is the perception that we set the rules in our own interests and the House of Commons administers it, and we lean on the House of Commons. So that is why I think the Parliamentary Standards Authority, which we are planning to legislate on and will be in legislation before the House of Commons rises, will be administering the system completely at arm's length and independently of the House of Commons. So I think whatever contributed to how we got there to where we are today we know that transparency and independence and clear and firm rules, based on a proper set of principles, is actually the way forward.
127. SIR CHRISTOPHER KELLY: And that those things combined will be sufficient to establish a culture in which Members of Parliament take responsibility for behaving in this area with the integrity we would all expect them to show.
128. HARRIET HARMAN: Yes. I think that the system will not have a culture. It will simply have a proper framework and therefore there will be less ambiguity and fewer grey areas in which culture becomes the issue. So I think that it will be defined by clear rules, it will be independent, it will be open, and I think that will sort the problem out and there will not be a culture. There will just be MPs getting on with their jobs.
129. SIR CHRISTOPHER KELLY: Thank you very much. Can I turn to accommodation, the issue which has been most prominently discussed over the last few months. You were dismissive of the barracks solution a few minutes ago. You might be interested but possibly not surprised to know that the most popular solution, as far as members of the public who have submitted evidence to us, is indeed a version of the barracks solution; usually the Olympic village is mentioned rather than a barracks. Without going that far, without thinking you need to establish another institutional setting, there could very well be an argument mounted for thinking that control of second homes should be taken entirely away from individual MPs and dealt with in some way centrally. Would you like to express a view about that possibility?
130. HARRIET HARMAN: I think that is something that it is up to you to consider and it is for you to make your proposals. I would only say that if there is going to be provision made for Members of Parliament on a central basis so they do not get involved in rent or mortgages or anything like that, that the accommodation is provided for, it does need to recognise that we do not want a Parliament that is just exclusively of people who are prepared to set their family life entirely on one side in order to enter Parliament, because then we will have a Parliament that does not understand the centrality of people's families to their lives, does not understand about the daily juggling of bringing up children and going out to work and caring for older relatives, and then public policy will not be right. So this is not about special pleading for MPs to

have a family life; it is about saying that public policy will not be in the right place if it is entirely people who either have not had children yet, whose children have grown up and have not yet got into the older relatives care, or who are prepared to delegate to somebody else within their family. I think that the women MPs who have come into the House of Commons and who are having babies, bringing up their children, coping with teenagers, they bring an insight into the House of Commons that was not there when I was first in the House of Commons when there was 97 per cent men and only 3 per cent women. Many areas that are now very important in the public policy agenda and in Parliament, which have always been important to people in the outside world, have now got a voice in the House of Commons. So I would just say that I think it is very important for that to be recognised.

131. SIR CHRISTOPHER KELLY: What does that imply for the quality of provision that MPs can reasonably expect in their second homes? In the evidence we have received so far I do not think anyone has seriously questioned the need for MPs to be able to have accommodation, both in their constituency and in Westminster, but that says nothing about the quality of the second home in terms of distance from Westminster or whether or not you need to be able to have a flat or a house with sufficient rooms to accommodate your children, both in your constituency and in some way close to Westminster. How do you decide what is the quality of the accommodation that is reasonable for an MP to expect?

132. HARRIET HARMAN: I do not really think that I have got any particular helpful suggestion that I can make to you on that and look forward to hearing what your view is on it. I think in terms of distance from Westminster, the parliamentary week starts late on a Monday because people have to come from far afield, from constituencies in north Wales and from remote areas, and therefore we cannot start first thing in the morning on Monday; we start at 2.30pm. But actually I think that part of the discussion around accommodation in London will engage the question of the hours of the House of Commons because we still not only sit on Monday until 10.00pm and sometimes later but we also sit on Tuesday at 10.00pm and sometimes later. If you have then got to be back very early in the morning for a committee then proximity becomes more important. So I think there is a discussion around perhaps going back to where we were for the hours on Tuesday. Sorry, this is sounding a bit technical, is it?

133. SIR CHRISTOPHER KELLY: I understand the point you are making. Of course Parliament already has a view about what is appropriate for families in terms of travel to work or the quality of family accommodation or what is required for the necessities of life because it legislates for the welfare system. Do you think there are any analogies that can be drawn, for example from the way the housing allowance is now operated, which would be helpful in this area?

134. HARRIET HARMAN: Which of the housing allowances?

135. SIR CHRISTOPHER KELLY: Well, the way that housing benefit is now operated. There is a view about what quality of accommodation is reasonable for a family living in Westminster or any other part of London to occupy and what the reasonable rent for that is.
136. HARRIET HARMAN: What has been done recently is to look across to other people in the public sector, who are employed in the public sector and for their work have to live in a different place, or people in comparable areas of the private sector who, as part of their employment, have to live somewhere differently but I am not sure there is anywhere else where people are required to live in two places at once. Sometimes people, for their work, have to go to a different place, sometimes people in the public sector or the private sector have to go a different place to do their work, but I am not sure that it is not unique for MPs to need to live in two places at the same time. So I think the analogy is probably with other people in the public and private sector, although there is not an identical comparison.
137. SIR CHRISTOPHER KELLY: The recent changes that have been made or proposed still make it possible to claim for the reimbursement of mortgage interest as an alternative to rent. It is possible to make a case for that on value for money grounds but nevertheless it still leaves you with a situation in which it is possible for public money to help to finance an asset, the value of which then accrues to the Member of Parliament, and the fact that that gain may now be taxed at 18 per cent only means that 18 per cent of it is removed. Do you think the public would ever accept the continuation of support for mortgage interest as well as rent?
138. HARRIET HARMAN: That is obviously an issue which has been raised and it has been on the agenda since before the kind of transparency made it much more top of the agenda. I would prefer, if I may, not to set forward a blueprint as to how I think it should be done because I really just want to be grateful for the work that you are going to do and actually indicate the things which I think are necessary underpinnings. We have been through this ourselves in the House of Commons, last July, this January; we have had an almost continuous process of addressing this. There are 650-odd MPs and 650 different views on this and, as Leader of the House of Commons, what I can say is I think everybody is very grateful for the work that you are going to do on this. I do not want to substitute my views for any of their 650 views and we are putting it confidently in your hands.
139. SIR CHRISTOPHER KELLY: That is very encouraging, except that we want to make sure that before we reach a conclusion on recommendations we make to you we hear all the arguments on both sides. Thank you very much.
140. DR ELIZABETH VALLANCE: Good morning. Can I take you back to the Parliamentary Standards Authority which you have suggested setting up. What would you say to those who claim that we do not really need another level of regulation, we do not need another quango here when what is at issue are personal values, personal behaviour of MPs which can only really be addressed by MPs accepting that there is, as the Chairman said, a need for a

change of culture, and for that to happen MPs have themselves to take personal responsibility here and that the new body, one could say, rather than solving any of those problems, actually exacerbates it, that it gives MPs the impression that it will be solved or sorted by this new authority out there? What would your response to that be?

141. HARRIET HARMAN: I think that MPs recognise that the situation where you could just turn round to the public and say, "Trust us. We have done an internal spring clean and it is all sorted now"; people want to see things. Independence is very important indeed because otherwise a perception can grow, even if the perception is not well founded, and therefore the perception that we are fixing our own allowances and then administering them and then leaning on those who administer them, I do not think the solution to that could be a culture change where we then turn round to the public and say, "It is all right, we have changed our culture". I think that a structure which has it run independently is just better and I think that MPs themselves do not want to feel that they are under that cloud of suspicion, that somehow we have fixed the rules, we have framed them in our own interests. MPs do not want to be doing that any more because we do not want to be under the perception that we are doing it in our own interests and we do not want to be subject to the perception that because the Fees Office is within the House of Commons it is too easy for us to lean on them. It is a bit like with the thing I said about Harry Lambourne with the constituent saying, "Here is my problem" and him saying, "Leave it with me". That was really acceptable in those days; it is not any more. So I think the Parliamentary Standards Authority, which I see as the kind of hardware and you are producing the software - you are producing the program and that is the kind of hardware - will be a good way to do it. I think that, especially against a background of people feeling less positive about their own economic prospects, people are incredibly angry about the sense that MPs have been able to abuse their allowances and therefore really clear action, which makes it completely independent, I think is necessary.

142. DR ELIZABETH VALLANCE: Can I just push you on this idea of culture change and so on. You are saying you will not need a culture, which I am not quite sure that I understand that, but the point is would you agree that it may actually be inhibiting to that acceptance by MPs that they have to change the ways in which they operate to have this authority out there - rather inchoate but we will come to that - which implies that somehow by setting this up it is all fine?

143. HARRIET HARMAN: Parliament has traditionally always been very jealous of everything which is to do with Parliament's rights because the idea is that we are elected and nobody should sit in judgement on us except our constituents when it comes to election-day, and that is the absolute fundamental principle. And because of that everything to do with the way the House of Commons has been run, including the allowances, has been decided by MPs because we have got to get the flexibility to allow us to do our job and that should not be decided by an external person. Therefore, actually saying, "No, we are not going to decide this, we are going to cede that

responsibility that we have had always for ourselves and we are going to give it to somebody else to do” is a very big step. So that culture change has already happened where they are saying, “We are not going to do it any more”. That is the culture change that has happened; MPs are saying, “We are going to let it be done independently”.

144. DR ELIZABETH VALLANCE: Can I then turn to how you see this coming into being. You have said and you are on record as saying the Government will consult widely on the new arrangements and yet you are also, I believe, saying that you will have brought something in by the end of the session, which is in effect next month. Can you give us some timelines here?
145. HARRIET HARMAN: The party leaders had a meeting with the Speaker in May and at that it was agreed that what we needed is for the Fees Office and the allowance system to be run independently and that should be on the basis of statute; the idea of a resolution of the House was not going to be good enough. That was agreed and, that being the case, this is quite a simple proposition to actually not run it in-house but to have it completely external and independent.
146. DR ELIZABETH VALLANCE: So you think you can bring in the legislation by the end of the session?
147. HARRIET HARMAN: Yes. We will be bringing it in later this month and we will have it in law, the legal framework for the establishment of a Parliamentary Standards Authority. We aim to do that before the House rises for the summer recess. That bit of the change is a relatively simple and straightforward one and therefore if people accept the proposition that it should be done and run independently then we can set that up in legislation. It does not need vast amounts of external consultation. We have got the point. People do not want us to be doing it any more. We will do it quickly.
148. DR ELIZABETH VALLANCE: But what does need external consultation, surely, is the actual form of the structure? Are you saying you are going to put it into legislation with this thing called the Parliamentary Standards Authority and you are then going to decide ex post facto how it actually operates?
149. HARRIET HARMAN: We have not published the Bill yet. There are relatively few models for how you set up a separate statutory authority to run something. I think that it is going to be doing a very important job. It is essentially the job of fixing the allowances when they need changing in the future and running the Fees Office.
150. DR ELIZABETH VALLANCE: I was going to come on to that. This is a body with a very wide apparent remit. It is going to be setting allowances, it is going to be administering the system, it is going to be dealing with hearing complaints and so on. Do you think that that is a coherent body? Do you

think that there are problems about having something with such a wide remit?

151. HARRIET HARMAN: I think the first step, and there will be more than one Bill dealing with these issues, will be to set up the Parliamentary Standards Authority to run the allowance system so that we are no longer running it ourselves. I think that thereafter, as we consider what further a Parliamentary Standards Authority might be able to do and what further it can contribute to rebuilding the public's confidence, then we can change things as we go along but I think that we needed to do this quickly and not wait around. We did not want to make the best the enemy of the good. There are some things that do need a lot of discussion and we can make further changes further on down the way but stopping running our own allowances system we just needed to do it and do it quickly and we do not want people to think that there is long grass that because we are always finding something else to discuss we are never ready to bring a Bill in. So we are going to do that, set it up, and it can always change and evolve down through the process of subsequent Bills.
152. DR ELIZABETH VALLANCE: One understands that it is complex and it has got to evolve, it has got to be iterative to some extent, but how would it actually work just on absolutely basic points, like who would appoint it, who would it be responsible to?
153. HARRIET HARMAN: We have not published the Bill yet.
154. DR ELIZABETH VALLANCE: You must have thought it about since you are publishing the Bill so soon.
155. HARRIET HARMAN: Yes, but we have not made any announcement yet to the House about how it would run and there are discussions underway. I hope you will forgive me but one of the important things is that I should make announcements about how it is going to work to the House of Commons and certainly not announce them before they have been actually firmly decided. So I do not want to say, "Trust me, it will be absolutely fine" because I know that is not the spirit of the hour, but at the end of the day we cannot go on like this. We cannot have a situation where we say to the public, "We have got the point, we know you are hopping mad about our allowances but we are going to spend ages, days, weeks, months discussing the constitutional niceties of the body that is going to do it independently; we are just going to get on and do it". That is what the party leaders have agreed and that is what we are going to get on and do. I think the public will be less interested in the constitutional niceties, although they are important, than the fact that we are not kicking it into the long grass, we are getting it run so that it can be on a firm footing. It will obviously take a while to set itself up.
156. DR ELIZABETH VALLANCE: The niceties, of course, are pretty fundamental to whether this works or not but I take exactly what you say about Parliament needing to know first from you and we wait to hear.

157. HARRIET HARMAN: The one nicety, the one critical point is it is not us doing it any more. It is a Parliamentary Standards Authority. I can just tell you one thing, there will not be sitting Members of Parliament sitting on the Parliamentary Standards Authority. It will be independent and I think that is very important.
158. DAME DENISE PLATT: I would like to pursue that. I think I am struggling a bit with something called a Parliamentary Standards Authority, as an ex-regulator, and something which you have described which sounds a bit like an arm's length management organisation. When do the standards bit kick in? If you are a standards authority that implies some sort of enforcement regiment. Are these things that you will also be announcing to the House with the Bill? If you are going to be an effective regulator you have got to have some sticks in the cupboard which you may never bring out but the fact that they are there might be helpful. I am sort of struggling with the immediate response and what this body, the framework might pull into scope when you present it to the House, particularly over the standards regulation.
159. HARRIET HARMAN: I think it helps parliamentary standards of itself for us not to be running our allowance system and not administering it. So I think that even if it did nothing else it would be helping with parliamentary standards because it would be putting it at arm's length and completely independent. It does offer the possibility of looking to putting on a statutory basis the code for MPs. There is already a code but it is only by resolution of the House. That could come into statute and be kept updated by the Parliamentary Standards Authority. There are other things that once you have got this authority it could do but I think we know what the fundamental first things we want it to do are and then we have to discuss what is compatible with those things by way of further obligations it can take on.
160. DAME DENISE PLATT: You quite rightly said the public was angry about the situation that has occurred but, in the evidence that we have received, one of the reasons that they are angry is they see no effective sanctions on behaviour. When you produce the Bill will that be within the scope of this new authority?
161. HARRIET HARMAN: There obviously has been a reflection on sanctions but a key part of the objective of having a Parliamentary Standards Authority is that you do not have a system that goes wrong and have to have a massive sanctions and penalties and expulsions and suspensions exercise because it is all going wrong. What you do is you put it on the sort of footing where actually you could be confident that it really is doing what it is supposed to be doing and that the system is working properly. So I think the emphasis has been - and I think this is rightly the emphasis - on actually getting the system sorted out, getting it properly independent, properly transparent. At the moment the whole question of sanctions is quite high up on the agenda because of what has happened in the past but when it is put on a proper system in the future I hope and expect that sanctions will be less of an issue because the system will be much more straightforward.

162. The question of how this body might be involved in identifying if there has got to be payback, if there has been over claiming, identifying if there has got to be references to the police if they suspect wrongdoing, what their own powers would be or what would be powers of recommendation to the House of Commons through the process of the House of Commons itself, having, as we do, the powers to suspend and expel, those are all things which will obviously have to be further looked at but that is looking at a model where things are not working properly or at least where things have gone wrong. Our determination is to develop a model where that is the majority of the activity because overwhelmingly everything is running properly and seen to be run properly, underpinning principles that everybody agrees with.
163. DAME DENISE PLATT: I have some sympathy with that but as a regulator I know you cannot inspect quality into something. The standards have to be there and you can monitor how people are actually behaving but the behaviour and the culture is really significant and will be there no matter what system you put in place.
164. HARRIET HARMAN: If the system is simple, straight forward, clear, underpinned by receipts and transparency then I think it will be much more straightforward and there will not be that grey area and there will not be scope for any sort of culture. You are obviously having discussions about culture.
165. SIR CHRISTOPHER KELLY: I think the notion that organisations do not have a culture is quite an interesting one.
166. HARRIET HARMAN: You should not have a culture around allowances. There should not be a culture around allowances. The culture is about representing your constituents, scrutinising legislation, holding ministers to account. Allowances should just be a means to an end, off the agenda, and there should be no culture around them at all, certainly not a culture of seeing them as income because they are not taxable.
167. SIR CHRISTOPHER KELLY: We certainly share the objective of getting them off the agenda. I think the point that Denise was making is that experience of all forms of regulation in almost all areas of life suggest that simply setting up rules and regulations and even sanctions is not enough. What you really have to do is influence underlying behaviour.
168. HARRIET HARMAN: I am not sure I accept this. If there is a very simple, clear and straightforward system which says you can claim for this and you have to put in a receipt, which, of course, in the past it was not clear in the way it should have been what you could and could not claim for and you did not have to put in a receipt, that is when the culture mattered because that was all self-regulation and individual decision making and discussions with the Fees Office. There is not a culture around people getting their basic state pension because the rules are clear and who is entitled to it is clear. I think that is what we are looking to is clarity in the rules and transparency in how they are operating and independence in how they are operating and therefore

there will not be a culture.

169. SIR CHRISTOPHER KELLY: I do not want to have a semantic discussion. Just to be absolutely clear, there is a consensus, which this Committee shares, on the importance of removing from Members of Parliament the ability to set their own levels of expenses. There is no dispute about that. The questions that we have been asking have been solely about how that is implemented in practice against a background of understanding your desire to rush to legislation quickly but wanting to be sure that things were not set in stone in a way which everyone would later regret. What you have said about that is that there will be further opportunities after the initial legislation to influence the shape of this new arrangement.
170. HARRIET HARMAN: There is one principle which I forgot to mention which is about flexibility. When I came in on the end of Anthony King's evidence, I think no system should circumscribe how each individual Member of Parliament decides how to interpret that role because I have seen in the time I have been in the House of Commons massive changes in how MPs do their work and I think that is quite important.
171. DAME DENISE PLATT: Exactly the issue that I wanted to raise with you. You are right that there are over 600 different views about the issues that we are debating and quite a number of your colleagues in the House of Commons have written to us with evidence. Quite often the majority of them refer to the way that they do their jobs in relation to the House and their constituencies as either being like a small business or being like a family business and therefore employing your family to look after the constituency is legitimate in that model of small business or family business, and I appreciate the two are slightly different. It would be helpful to have your comments as to whether you think that model of operation stands up in the 21st century.
172. HARRIET HARMAN: Well, it is not a business, of course, because it is not profit making; it is salaried. I think that the MP and the MP's staff is a small organisation with very big responsibilities that can make a massive difference to people's lives, either as individuals or to what is happening in their constituency. So I think it is paradoxical that such a small organisation can make such a huge difference to so many individuals.
173. Your point about a family business; are you talking about employing family members? I think the reality is that many Members of Parliament who have their spouses working with them as their constituency assistant often those family members work much harder than you would ever expect a straightforward employee to work because they live the job and their commitment is just 100 per cent 24/7. Therefore I think that what was so unfortunate about the Derek Conway situation, where clearly this was about money coming to the family without the work being done, is that often I see people working much more than their hours rather than working less than their hours. I think there is an issue about public perception. I think it is difficult, against the background of the Derek Conway case, for people to understand the reality which is that often MPs' spouses work much harder because they

are spouses. Secondly, I think it is quite difficult to create the sense that there has been equality of opportunity in that employment because it is quite difficult to see how you would have an open competition for a job if the person who is doing it ultimately you are married to.

174. So I think there are perception problems but I do want to say, just to put on the record for those colleagues who I work with on all sides of the House that I see spouses working incredibly hard but I think the public perception problem has overtaken the situation here.

175. DAME DENISE PLATT: I think you are right because overwhelmingly the evidence that we have received from members of the public is that either they think that employing a family member should be banned or that there should be more transparent, open competition on merit, and also some issues about, as you have described, work harder than ever, some work-life balance issues which are around you may work harder than ever in certain periods of the year but actually there are some long periods of the year when it is just ticking over and your constituency is in a different place. You are right that there are public perception issues and they may not be in the area that you have identified, so do you have any suggestions about how we might reconcile that public requirement for equal opportunities, total competitive recruitment, something that looks like what people have to do in their own spheres of activity as these are taxpayer-funded roles?

176. HARRIET HARMAN: I do not want to put forward any hard and fast recommendation on that and know you will be getting a wide spectrum of views on it but I would like to say the idea that people are just ticking over when the House is not sitting, when the House is not sitting that is the opportunity for MPs to be in their constituency, being out and about, engaging with people, meeting people, listening to their concerns. In the olden days, visiting your constituency twice a year might be seen to be perfectly all right; that is not the case any more. The public expect to see their MP out and about. Obviously there are different ways that people approach their job but I think the idea that people just tick over when the House sits is not the reality as I recognise it.

177. I would also say, and I do not know whether or not you have heard from the public about this, I certainly know when I go to other colleagues' constituencies that often the constituents will know the wife of the MP as much as they know the MP and if the MP goes to Westminster and the wife is in the constituency, constituents will talk to the wife about their problems, and if they are working in the office that will be how it operates. I think in particular areas, in particular cases there is quite a lot of support for the idea of the MP employing their wife but I do think that the overriding perception has been tainted and there is the proper concept of equality of opportunity which overrides that but I just want to mention that. I think some of the public really bond with the MP's spouse.

178. DAME DENISE PLATT: You have taken some steps to increase transparency in this area around placing contracts in a central place and

overseeing various activities around employing family members. I am not quite sure what the central employment of MPs' staff actually will mean in practice. Does it mean employ and allocate to an MP or how is that going to work?

179. HARRIET HARMAN: The House of Commons Commission is looking at this because there are now standard contracts and there is now payment by the Fees Office. The money does not come into our bank account and then be paid out; it goes straight to the employee. There are standard job descriptions and there are standard pay bands. The question is, that being the case, should we find a way structurally to create the situation so that it becomes clear what is in fact the reality, which is that this is employment at the public expense which is under the direction and managed by the Member of Parliament and therefore the question is can we go a further step in that direction. The House of Commons Commission is looking at that. It is quite complex to work a way through it.

180. DAME DENISE PLATT: We agree. It is complex. A final one from me and it is about office accommodation in constituencies and office accommodation that is rented from political parties, perhaps in a party political constituency office, which could be perceived as a way in which public funds assist political parties to gain an asset. Would you support a ban on leasing accommodation from political parties?

181. HARRIET HARMAN: I think sometimes people have got office accommodation and then they rent out a room to the local party or sometimes the local party owns the accommodation and the MP rents it from the local party and of course the rules about this are it is supposed to be full value. It is not supposed to be a subsidy one way or the other but I think there is the question about perception there and how the public can be reassured that there is not any subsidy going on. So I think that is another matter for you. My job is easy.

182. SIR CHRISTOPHER KELLY: Just reverting for one moment to the question of employment of family members. This is one of those very difficult questions where there are quite clearly arguments on both sides of the coin, and I would echo what you have said about knowing large numbers of spouses, in particular, providing a service which by any stretch of the imagination is value for money for the taxpayer. You came close to saying, in fact I think you used the words, public perception is overriding which implies that - you may not wish to comment on this - if push came to shove and you had to make a judgement as to whether it should continue you would not be surprised if the judgement was that it did not.

183. HARRIET HARMAN: I think that if an MP is employing a family member they should not be under a shadow and we should not automatically assume that something is wrong about that. Secondly, I think that those MPs who have got family members in their employment now should not be expected to fire them and it is now out in the open with a register but I do think it is for the future something where . . . it is a bit like when doctors used to

employ their wives as receptionists. For ages that is how it operated and then ultimately people thought this is not the way a professional service runs. I think it is almost impossible to convince the public that actually there are fair employment opportunities. Therefore, my own personal view is that with employment of family members it is difficult to sustain public confidence but I say that without impugning at all those people who have done it and done an incredible job and need to be able to carry on doing it.

184. LLOYD CLARKE: Could I turn our focus of attention firstly to communications, if I might, and the Communications Allowance, please. It is highly controversial and it seems divisive along party lines. Can you tell me why do you think it is so controversial? Why has it been so controversial?
185. HARRIET HARMAN: Because it helps the incumbents do their job but I think that it is important and I would have been just as in favour of a Communications Allowance for the 15 years I was in the House of Commons in opposition. Under the old rules you could reply to a letter and that was okay within the allowances but you could not send out a letter to a particular block of flats, for example. The Communications Allowance allows you to do mailings out to people in a particular situation. So, for example, if I have got a council estate in my constituency and there is a particular problem, say the boiler going bust in the middle of winter and the council is supposed to be compensating people for the cost of their heating, then I might want to write to all of the tenants on that block and say, "Your heating was down for a period of three weeks and I chased up the council to get it fixed but actually you are entitled to compensation for the time for the extra expense and if you have not been able to apply for it and you have not got the compensation or you did not know about it here is to know about it and if you have any problem getting it contact me". That is the sort of thing which the Communications Allowance enables you to do which you cannot do without a Communications Allowance.
186. I think it is good to be proactive with your constituents and not just wait for them to come to you because the people who do not come to you are often the people who most need help and need the MP's engagement. So I think it is a progressive thing to have a Communications Allowance because then you can engage with people who perhaps have newly moved into the area or newly arrived in the country or who are not good at finding their way through the system. I know there is controversy around the Communications Allowance but I am a strong defender of it on the basis of my practical experience of it.
187. LLOYD CLARKE: It was controversial at its inception and one might have imagined that that controversy might have gone away had it been used correctly. It is interesting because the figures would suggest it is used by the majority of MPs, irrespective of their party, in terms of the amount that is being spent. Therefore, has it become more controversial or is it just as controversial because of abuses of? Certainly it has been cited that it has been used for personal propaganda, that the rules have been too lax, that it is ambiguous and it is subjective. Those are the kind of criticisms that are levelled against it. Do you feel that in the time that it has been operating some

of those criticisms have been justified?

188. HARRIET HARMAN: I think that the people who are most supportive of the Communications Allowance are mostly the MPs whose constituents do not find their way most easily into the system. So if you represent an area with a lot of social disadvantage I think you are much keener on the Communications Allowance than if you represent an area where people know how to work the system, and I think there is a difference in view on that. So that is the first point.
189. The second point is about abuses of it. There have been some cases where people have put a party logo on a Communications Allowance, they have then been hauled up in front of the authorities on it, they have had to pulp all that was done and they have had to pay it back. My experience of the Communications Allowance is that the House authorities police this very strictly. I had one thing where I wanted to write to an estate where we discussing about refurbishment and redevelopment of the estate and I was wanting them to get a move on and do the refurbishment because it had been taking too long and I wanted my constituents to know what I was doing, that I was having a meeting with the Minister and the council and everything like that. I put in my standard letter that was going to go to everybody, "Despite ever more investment in this estate by the Government X Y and Z" and actually it came back with crossed out "ever" and I was only allowed to say "despite more investment". So I said, "Well, here is all the years of investment. Why can I not say 'ever more'?" And they said, "No, if you put 'ever more' that is political and that is party political and you cannot do it". So I had a sort of small argument with them and then I threw in the towel and crossed out "ever". That is just an example that they are not slack and lax about it. They do really carefully try and make sure that it is in the public interest, not in party political interests.
190. So I think a lot of these are "on the one hand and on the other" but on the Communications Allowance I am on one side of this controversy which is I am in favour of it.
191. LLOYD CLARKE: You seem to be flagging up that one of the difficulties is the disproportionate cost of policing it to actually what the allowance is.
192. HARRIET HARMAN: No, I am not saying that. I do not think that they are disproportionate. I think that they are strict, as people would expect, but I want the public to know that that is what they do do and they do lots of crossings out of stuff.
193. LLOYD CLARKE: Am I right that it is an interim measure that now, if an individual MP wants to spend more than £1,000, they have actually got to ask for that permission from the Department of Resources before they commit to it?

194. HARRIET HARMAN: I think an awful lot of MPs now just put in what they are going to send out. In theory you are supposed to make that judgement yourself but because you do not want to fall foul of a subsequent ruling you put it in in advance. I think they do police it very effectively.
195. LLOYD CLARKE: Thank you. Can I change the focus of attention and can I look at the Resettlement Grant. You did write to us specifically and ask for us to look at that. We were going to do that anyway but you did. I note that your submission is silent on the issue. Again, did you have anything in mind?
196. HARRIET HARMAN: I just wanted to be clear in case we had not mentioned it as one of the issues. Obviously it is within your remit but there has been controversy about it so I am glad you are looking at the Winding-Up Allowance and the Resettlement Grant but I have not really got anything to add about that.
197. LLOYD CLARKE: I particularly want to stick with the Resettlement Grant because that seems to be the more contentious issue rather than the winding-up one. The SSRB made a very specific recommendation that the Resettlement Grant should be stopped for MPs who resign or retire. The Members Estimates Committee rejected that, as did Parliament. Why was that?
198. HARRIET HARMAN: I think it was because we did not want to put in a perverse incentive. I think what had happened was that an MP, not wanting to resign or retire and thereby lose the Resettlement Grant, had gone and stood somewhere else in a constituency that they were not going to win. Do you remember that case?
199. LLOYD CLARKE: Yes, I remember that case.
200. HARRIET HARMAN: And that is why, I think. We did not want a perverse incentive for people not to retire. I think that is what lay behind it.
201. LLOYD CLARKE: It may seem now with hindsight that to reject that recommendation because of one instance might not be very clever because the truth now is that the really significant concern - whether it be expressed by the media, I certainly know that is expressed by some parliamentarians - is if an MP has committed abuse of the expenses system, as an example, and they have said they are going to stand down then they are still eligible to receive the Resettlement Grant, which in effect is a severance payment. It is redundancy, in truth. The clamour is that that just seems unacceptable.
202. HARRIET HARMAN: Obviously what is important in the current situation, and this is in hand, is that if anybody has claimed outwith the rules and all the last four years is going to be gone back over then they will need to pay back and therefore the probity of the allowance system will be retrospectively put on a proper footing because anybody who has claimed for what they should not have had will have to pay it back. As far as the

Parliamentary Standards Authority is concerned, they will obviously make sure they keep an eagle eye on claims, everything has to be receipted, everything is subject to proper audit, and therefore --

203. LLOYD CLARKE: But irrespective of that, individuals will still be entitled to the Resettlement Grant. If I may quote back to you, you have used the example of Derek Conway, so let us use that as an example. The argument might go that he falls into the same category as Sir Fred Goodwin did over his pension except it is just the quantity that is different, and in your own words that is certainly not enforceable in the court of public opinion. The public opinion is totally against people being given this golden goodbye.
204. HARRIET HARMAN: That is one of the reasons why we are grateful to the fact that you are going to be looking at this. That is part of what is important about your work.
205. LLOYD CLARKE: There is certainly a clamour, and in fact it is expressed to us, and will be later in one of the submissions that we have got from one of the political parties, that in actual fact urgent action should be taken to prevent that happening at the next general election, whenever that might be, and that that is not actually looking back, that is looking to the future. So I guess in truth one of the interim measures that you could have taken or could take in the future is to prevent that happening.
206. HARRIET HARMAN: We have asked you to make your recommendations on that.
207. LLOYD CLARKE: All right. Thank you very much.
208. SIR CHRISTOPHER KELLY: And we will make recommendations. There are several different levels, of course. One of the things which appears to irritate members of the public most is where MPs have different arrangements applied to them than members of the public would expect to apply in their own cases, and the Resettlement Grant redundancy is one of those. Most people would not expect to be able to receive redundancy pay if they stood down voluntarily from whatever job they did. That is why the issue arises about people who are not deselected or not defeated at the general election but just stand down.
209. Secondly, there clearly is an issue about whether the range of sanctions available to whoever operates them should include the right to remove the right to the Resettlement Grant in cases of severe misbehaviour but going forward that is an entirely different question from whether or not individuals who have already committed some kind of misdemeanour before that change happens can have the right removed from them, and that is a legal question as much as a moral one.
210. HARRIET HARMAN: Is it a legal question? There is not a contract of employment between the House and MPs in respect of any of these

allowances. I am giving you legal advice here. It is not a legal question.

211. SIR CHRISTOPHER KELLY: I would not argue with a lawyer on a legal question. Thank you very much.
212. DR BRIAN WOODS-SCAWEN: Can I return to the question of outside interests, which you raised in our opening remarks. In your remarks you also commented on the need for the widest and most diverse points of view being brought to bear in shaping public policy. How would you respond to the argument that outside interests help Members to have that wide and diverse point of view which collectively they then bring to the shaping of policy?
213. HARRIET HARMAN: I just never have bought that argument. I really do not accept it. I think that you get a wide and diverse point of view from your constituents by being amongst and out and about your constituents and listening to what they are saying and understanding their concerns and engaging with them. I completely do not buy that argument and I do not see how having a second job working as a barrister makes you a better MP. I just never understood that argument. The idea that being an MP you are too narrow, well, it is very demanding being an MP. I cannot even begin to think about how to rebut it because I do not even accept the initial suggestions that it makes you a better, more diverse person. It makes you better off but that should not be the point.
214. DR BRIAN WOODS-SCAWEN: To take forward something Anthony King has written about, in his terms the rise of the professional political class, he has argued that Parliament is the poorer if it is increasingly populated by Members whose life history is to be a researcher, to work for a think tank and then to join Parliament.
215. HARRIET HARMAN: That is different. That is an argument about what you do before you come into the House of Commons. I think that is different but that is not about doing a second job. You become a parliamentary researcher, you work in a political party, you become an MP and then you do a second job.
216. DR BRIAN WOODS-SCAWEN: The current proposals are for broader disclosures. Given the argument that you have put to us, would you go beyond that and say there ought to be a ban?
217. HARRIET HARMAN: I think that it is important for the public to know what additional earnings their Member of Parliament has got and how they are getting those earnings. So I think transparency is a very big issue. I am not really supposed to have personal views but I do have a personal view, which I have had for 25 years so it is not a secret that I think that you should dedicate yourself to the work which is around being an MP, and that obviously includes being a Minister. Doing a completely separate job in banking or running a company or being a judge or a barrister, I think that dates back to the days when there was not so much expectation and demand for you to be involved in helping your constituents, in helping them with their problems and really

making a difference in your constituency. That was a real gentlemen's club - you would work during the day and then a bit of light legislation and dinner in the evening - and we should have moved on from that.

218. DR BRIAN WOODS-SCAWEN: The bottom line of this is that you think that properly carried out the job of a backbencher is a full-time job?

219. HARRIET HARMAN: I think that your focus should be on being an MP or being an MP and being a Minister. I think it is about where your focus is. I would not want to make any specifics about the hours. I just think if you were employing somebody to work for you and they had a job that paid them five times more than you paid them what would you feel about their commitment to you? You would worry about it. So I think the public are entitled not to have that to worry about as well as all the other things they have got to worry about.

220. DR BRIAN WOODS-SCAWEN: Can I turn to the issue of Members who decide not to take up their seats, and this is something the Prime Minister has specifically asked us to look at in relation to Northern Ireland. Is there an argument that if, for reasons of principle, a Member does not take up their seat and therefore is not shaping public policy that there should be either no allowance regime or an alternative allowance regime?

221. HARRIET HARMAN: I think probably perhaps it might be a good idea for you to hear from the Secretary of State for Northern Ireland on that because I think with the whole Northern Ireland situation there is always much more than meets the eye. I would actually say that I think an awful lot of the work that MPs do is in their constituency. So, I do not know, I do not really want to offer any solution on that. It might be a separate regime for people who do not take their seats but not one that provides no allowances at all for them to engage with their constituents.

222. SIR DEREK MORRIS: Could I just ask you one or two questions about travel allowances. I inferred from what you said earlier that you would regard the current regime, which allows a certain number of trips to be made by an MP's spouse and/or family at public expense, to be a good thing. Is that correct?

223. HARRIET HARMAN: I think that if you need to do your job in two places, in your constituency and in Westminster, then I think that you should be able to have a family life in both places, otherwise you will get people who do not value family life and are happy to dispense with it in order to pursue their naked ambitions and I do not think that will help shape public policy. So I think it is not about them taking trips at public expense; it is about being able to have family travel; because the MP is moving between two different places then their family sometimes needs to be in two different places. If you have got teenage children, what are you going to do, leave them in the constituency on their own while you are in Westminster, depending on where they are at school? Do you see what I mean? If your main home is in London and you have got teenage children or an 11 or 12-year-old, when you go to the constituency on a Friday afternoon and then you come back on a Sunday

night you cannot necessarily leave your children. I think it is right for that situation you do have the travel allowance so you can take them, and that is a pattern a lot of MPs do.

224. SIR DEREK MORRIS: You would accept, would you, that there is a public perception that this is at the very least open to abuse and that perhaps more generally it can easily be a problem in other parts of the public sector, and indeed in the private sector, but there are, it is alleged anyway, very few, if any, other examples anywhere where these sorts of problems are addressed through having a specific allowance?
225. HARRIET HARMAN: I do not know how other organisations do it when you are required to work in two places, not just move from one place to another temporarily or permanently but are required to work in two places. So I just do not know but obviously we should not be any different from anybody else who is required to work in two places. Certainly I think the idea that the travel of spouses, unless it is actually linked to Westminster and the constituency, should not be to somewhere else. That is why I think the change in the rules that was done, I think it was in 2004, which says your main or second home has got to be within 20 miles of Westminster or 20 miles of your constituency, that is important, and I think travel should follow that. So you should not be able to be having, for example, a spouse in a third place and then be expecting to travel from that other place to the constituency or that other place to Westminster. I think between Westminster and the constituency.
226. SIR DEREK MORRIS: Can I ask would you agree that if an MP's constituency is sufficiently near - and I will not define that at the moment - to Westminster that, for example, they would not be entitled to a second home allowance that therefore their travel to Westminster should count as commuting and therefore, by analogy with the rest of the population, should not be covered by any allowance?
227. HARRIET HARMAN: I just do not know what the answer to that question is. Can I get back to you on that? The other thing is that when I mentioned about the hours I meant moving forward in the day. I did not mean shortening the hours; I meant moving forward so that instead of starting at 2.30pm and finishing at 10.00pm or thereafter, doing what we do on other days is to start earlier. I do not want to give you a quick, snap response on travel to outer London or Home Counties. Perhaps you can give me a snap response on that.
228. SIR DEREK MORRIS: Just one last question. These are smaller issues but they are things that the public often gets very exercised about. As I understand it, the Cabinet Office has rules for senior civil servants which say they may use business class on air flights over 4 hours and first class on train journeys over 2½ hours but under those limits they should use standard class. Do you think that that would be a model that should be applied to MPs' travel?

229. HARRIET HARMAN: I would prefer, if I may, not to make a specific proposal about that. Obviously, travel is an important issue and there are lots of arguments around it.
230. SIR CHRISTOPHER KELLY: When you respond on the point you said you would like to think about from Derek, it would be helpful also if you could say a bit more about the £7,500 that inner London and now outer London MPs are able to claim as a living in London allowance, although I am not sure that is quite correctly termed. £7,500 appears on the face of it to be rather larger than most people's London allowances and it would be quite helpful to have some account as to why that is the appropriate figure.
231. A couple of final quick questions. At one point the Prime Minister proposed the creation of a daily allowance based on attendance at Westminster. Can we assume that proposal is now off the table, or is it still on the table?
232. HARRIET HARMAN: I think it is on your table, along with all the other issues. I noticed some work that had been done that said that a payment linked to attendance in Westminster was something that the public could see the sense in and that the whole rationale of the two homes is because you are working and living in two places and therefore linking it to attendance in Westminster was an attempt to acknowledge that. But I would not say anything is off the table or anything is specifically on the table; it is all, as I say, within your remit.
233. SIR CHRISTOPHER KELLY: I asked that question because the response to it was not entirely favourable. People were drawing attention to the abuse of a daily allowance system in Europe and even, one might say, the House of Lords.
234. HARRIET HARMAN: I think we just reached the end of the road of doing it ourselves. We just got to a situation where everybody could see the downside of every single proposal and it was a good idea to really have fresh eyes and brains put on to this and not to try and do the minutiae of it ourselves. There are strong pros and cons on all sides of these arguments and the point is we should not be the people deciding it. That was a good example of what happens when you have got a good principle, a sensible proposal, and then you have got 650 different views.
235. SIR CHRISTOPHER KELLY: Thank you. The final question is this. It is our job, I think, to assess and follow through and amplify the steps that have already been taken to clean up the expenses system. A number of people have drawn attention, of course, to the fact that the present situation has only arisen because of successive governments in the past not being prepared to increase the pay of MPs by a significant amount. Do you think that any solution in the future would have to include an adjustment of the absolute level of MPs' pay or do you think the court of public opinion is so firmly against that that it is quite unthinkable?

236. HARRIET HARMAN: I think that because allowances are not taxable they should not be seen as pay. You are not allowed to give yourself pay which is effectively not taxable so therefore I have never had any tolerance of the argument that, "We have to do it to top up our pay". If it is a top-up on pay it should be pay and taxable, not tax-free allowances. At the end of the day, people have to make a choice on what they do and they know what MPs' pay is and we have now also got a much more arm's length system for setting MPs' pay. Therefore, I think that we need to have pay which is seen to be fair and reasonable and I think that we also ought to have an allowance system which does what it is supposed to do. I do not think the idea of, "Oh dear, some people had to abuse their allowances because the pay is not enough", was ever even beginning to be an okay argument. I think that people who said everybody was told at the time that there was not going to be a pay increase, "Do not worry because you can use your allowances", that was never an acceptable argument, never should have been and never has been.

237. SIR CHRISTOPHER KELLY: It is not an acceptable argument and I would not accept it myself. My question really was whether you thought that an increase in the absolute level of MPs' pay was likely to be politically acceptable in the near future.

238. HARRIET HARMAN: We have put independently and at arm's length the question of setting MPs' pay. I think if there is one thing that the public dislike almost as much as MPs sorting out their own allowance system, it is MPs voting on their own pay and therefore we have set a formula where we link to certain places in the civil service and that formula is applied publicly and it is all done independently. So, we do not do that any more and I think it is a very good thing that we do not. At the end of the day, whatever the pay is, people have got a choice to be an MP or not. It is a great privilege to be an MP and overwhelmingly people do not go into for the money. A lot of people do take a cut in income when they become an MP, so I just wanted to mention that.

239. SIR CHRISTOPHER KELLY: Thank you very much. Is there anything else that you wanted to say before we conclude?

240. HARRIET HARMAN: Not really. Just to really warmly thank you for your work. For somebody who has been Leader of the House I know the byzantine complexities of the allowance system, so I am more than grateful for the fact that you have taken it on and I think there is a spirit of welcome for the fact that you are going to be doing this work and I wish you well in your endeavours with it.

241. SIR CHRISTOPHER KELLY: Thank you very much indeed.

(Break)

242. SIR CHRISTOPHER KELLY: Shall we start again? Hello again, everyone. Welcome to Alan Duncan MP, Shadow Leader of the House of

Commons. Thank you for coming to talk to us.

ALAN DUNCAN MP, SHADOW LEADER OF THE HOUSE OF COMMONS

243. ALAN DUNCAN MP (Shadow Leader of the House of Commons):
Good afternoon.
244. SIR CHRISTOPHER KELLY: We have a lot of questions we want to ask you, but you may want to say something by way of an opening.
245. ALAN DUNCAN: Sir Christopher, thank you. I thank you and your Committee for asking me to give evidence. You have requested just a very short scene setter, which I have also given you in advance.¹
246. The remit of your Committee is obviously to look at the system of MPs' expenses and allowances. I appreciate that since you started your work a great deal has actually happened. We have had resolutions in the House to limit the use of the second home allowance, to study the central employment of staff, to increase transparency and to provide for the greater scrutiny of outside earnings. Also, political parties themselves have taken steps to apply more rigorous rules. We have also, of course, as you were discussing this morning, received a proposal for the creation of a Parliamentary Standards Authority.
247. I have formally submitted a paper from the leadership of the Conservative Party, and also David Cameron has imposed firm discipline on his MPs over the last few months.
248. Perhaps I can just briefly summarise the main elements of our submission to your inquiry. David Cameron has consistently made it clear that any reform of MPs' allowances needs to adhere to three principles: it should cut the overall cost of politics; it should ensure that there is full transparency; and it must rebuild the trust and confidence of the public. In this spirit, the Conservative Party has already established a new regime for itself which it is implementing already.
249. Looking to the future, the most important principle for us is that MPs should no longer determine their own pay and allowances. We believe very strongly that MPs' remuneration should be examined and be determined by an outside body. That, we think, is the only way to rebuild trust between Parliament and the people we are elected to serve.
250. On alliances, the main points which David Cameron has made are that the Communications Allowance should be abolished altogether. The final salary pension should be closed to new entrants; the second home allowance should be set at a lower level and should only be used for rental agreements, utilities, council tax and mortgage interest, which itself should be subject to a cap. All family members employed by an MP should be publicly registered

¹ The statement is appended to this transcript.

and all claims should be promptly published and available online.

251. Sir Christopher, as you and I have discussed, as Shadow Leader of the House I have also been asked by MPs and other interested parties to represent their views, as well as those in our formal party submission, in the hope that we can explore with you the various pros and cons of various options, and I quite understand that today you may wish to do that. It may therefore be helpful, when we do that, to cover some of the basic principles of what our Parliament should be and what, effectively, the job description is.
252. It may also help to discuss what an interest is and what, therefore, a conflict of interest is and hence whether outside earnings are a good or a bad thing, and also should all MPs elected in the same way quite simply be paid the same. It might be useful to analyse the origins and evolution of the second home allowance which has caused so much of the trouble, if not almost all of it, and its relationship to tax, to London MPs and its effect on parliamentary sitting hours. I sense from this morning's sitting it might also be useful to understand, or try to understand, what varying any Parliamentary Standards Authority might have on your findings. I heard about 40 minutes of Harriet Harman this morning and would certainly endorse much of what she said, especially about family life and the need for simplicity.
253. SIR CHRISTOPHER KELLY: Thank you very much. If I can start with a general question, what we are talking about is the imposition of more rules and regulations and supervision, which flies a bit in the face of what you just said about simplicity. If you look back at the past, the Green Book is perfectly clear that MPs should only claim for expenses wholly, exclusively and necessarily incurred in the performance of their parliamentary duties. So the rule was quite clear before, but now, with the coming of complete transparency, it becomes apparent that some MPs, at least, were doing things which they are no longer prepared to defend publicly.
254. The implication of that is that there is something more than changes in the rules that are required, or do you think that behaviour is solely determined by changes in rules and regulations?
255. ALAN DUNCAN: I think you have put your finger on the problem, and it has been a problem of evolution over perhaps 35 years, up to a point where it has now collided, catastrophically I would say, with standards that are expected in other fields and with public opinion.
256. The real origin of the second home allowance - and, let us face it, that is largely what we are addressing - is that 35 years ago, and since, it was basically designed as a supplementary salary. So long as you had a second home, you could just claim the money. At the very beginning, indeed when I first came into Parliament, you could just sign a piece of paper for 1/12th per month of the annual entitlement - an allowance not an expense - and the money would be met. Over the last few years that has tightened up considerably and I would say over the last five or six there has been a growing demand for receipts, and quite rightly so. So it has been converted from a

supplementary salary and an allowance into what people expect, and understandably so, to be an expenses regime properly recorded, audited and properly transparent.

257. So what we have seen is that a culture has built up where there is a complete disjuncture between what the public and any other organisation might normally expect, be it the Armed Services or the NHS, and what MPs seem to be doing with their money. So we have reached this disastrous moment where, at a time when many people in this country cannot pay their bills, MPs seem to be being paid in luxury items, and it cannot go on like this. I think that it is an utterly discredited system, but I think the point that many of my colleagues and other interested parties who study Parliament would ask to be understood is that if you look at it only in isolation as an expenses regime, as your own remit document says, it actually has a bearing on what MPs have understood to be the overall remuneration. For instance, Sir Christopher, you do say in your document, expenditure and accommodation:

“Addressing in advance of a full and independent examination of the complete system could lead to a second-best solution.”

258. SIR CHRISTOPHER KELLY: Where does that lead you?

259. ALAN DUNCAN: It leads the party to say that we believe it should be trimmed down, and that is the submission, sir, that we have made to you. Wearing my other hat, as it were, and being asked to be a vehicle for what is quite some strength of opinion from people, they would ask me to point out to you that they have gone into a lot of arrangements and things on the understanding that this is part of an overall package, which they now understand is totally discredited, and the misery and upset of MPs is profound. I think most of them feel that they are made to look guilty when they feel they are not. All of us agree that those who have obviously cheated - and I think there of course are some but I think that is a small minority - are culpable, but the bigger picture is perhaps slightly different from what many people think.

260. SIR CHRISTOPHER KELLY: You could be making two points there. One, you could making a point about transitional arrangements for people having made commitments which they now no longer have the means to fulfil which, as I say is about transition, or you could be saying if the allowance regime is going to be cleaned up, as you say it should be, that that should be reflected by some counterbalancing increase in pay. Is that what you are saying?

261. ALAN DUNCAN: That is certainly an option that many people float; it is not my party's proposal. I think that any MP who stands up at the moment and say, "Please pay me more", even though in their own mind the arithmetic might be exactly the same as they are getting at the moment, would very quickly be shot down. That is the climate at the moment.

262. I think that the origin of that is quite simply it just feels wrong, I think in the eyes of everybody including MPs, that we have for so long been

determining our own pay and allowances. I just do not think it is acceptable that we should be determining our own remuneration. It just, however parsimonious it might be, would nonetheless look as though we are feathering our own nest. The only way to overcome this is to say that it should be given to an outside body like you or, if it is set up, a Parliamentary Standards Authority or a combination of the two. I think the fundamental point is that we must relinquish setting our own pay and allowances and that a body of wise men and women, understanding what Parliament is and what it must be for the sake of an effectively working democracy, should make that decision.

263. SIR CHRISTOPHER KELLY: And if the SSRB who have that responsibility at present should, at the beginning of the next Parliament, conclude that actually a fairly significant uplift to MPs' pay is justified, do you think that leading politicians would be able to resist the temptation of refusing to accept it?
264. ALAN DUNCAN: It rather depends on what is being pre-agreed, but I think it is quite possible they would not. This, of course, is again the origin, to some extent, of the problem: that what used to be a House of Commons matter, and which actually technically always been a House of Commons matter but which over 20 years has become less so, has been determined by the Executive.
265. In February 1974, when there were prices and income control after Ted Heath lost the election, I know from my studies and what MPs who were there at the time have told me the Labour Chief Whip basically said, "We cannot give you any more money but we will give it to you in allowances; go and take the allowances". The Executive, in combination with the whips, have gradually imposed on Parliament, against its sovereign right, a regime which has built up the system we have. So instead of paying MPs, they have stuck it under the carpet and now the world has lifted up the carpet and it is full of horrible weevils and they are screaming with anger and I do not blame them.
266. But I think that historians need to understand the origin if they are going to find the solution. I am not advocating an increase in MPs' pay. I do not ever want to be in a position where I am required even to say what the numbers should be. We would all just love to be shot of that problem and to give it to somebody else. Let an outside body determine what MPs should be paid and then we can get on with the business of being politicians, serving our constituents and trying to do what we have come into Parliament to be, which is to be the stewards of the country's better interests.
267. SIR CHRISTOPHER KELLY: Thank you. Turning to accommodation, the submission from the Conservative Party leadership says that it is an important principle that in order to fulfil their responsibilities MPs should be able to maintain a second home. I have not heard anyone seriously question that, but of course that statement of principle does not say anything about the standard of accommodation that is justified by that principle, either in terms of nearness to Westminster or in terms of whether it should make it possible for an MP to be with their family in both constituency and Westminster and so on.

I wonder if you would like to elaborate what your view is of the standard of accommodation an MP ought to have the right to expect in what will be their second home.

268. ALAN DUNCAN: I think it is very difficult to look at this in terms of standards, two bedrooms, three bedrooms or whatever it might be, for many, many reasons. First, every single Member of Parliament's circumstances are different, by reason of geography, family circumstances, their own interests they wish to pursue with certain priorities, their marital status, whether or not, for instance, their spouse is a sitting councillor where there are certain residency requirements for their being able to be elected. They all have to set up a different way of living. They might have a tiny house in London and a bigger one in the constituency. They might have it the other way around.
269. I think that flexibility is important, and what matters, I think, is if we stick with an allowance system it should be flexible. I noticed this morning, when you were quizzing Harriet Harman, that the basic assumption in your question to her about whether there should be barracks on the edge of the Thames to accommodate members of Parliament - something for which I have yet to find any overarching, convincing argument in favour of - was that that would be their second home. Well, some people's main home is in London and their second home is in the constituency. Some people have their family at school in London; others have their children at school in the constituency. Everyone's circumstances are different, and if you say that they all have to fit into a straitjacket for their life patterns, I think you are likely to cause enormous problems.
270. There was another aspect which I think followed from the insinuation of this morning's sitting, which was that if the main home was in the constituency and the second home was in London, that the tax situation probably has to be aligned. There is no necessary alignment in the rules at the moment between the home you designate as your main home for parliamentary purposes and the home that you tell the Inland Revenue is your principal residence for tax purposes. If you are to require such an alignment, which may be a perfectly good idea, are you intending to align it all in one direction only or are you merely saying that if the main home is in London and the other is in the constituency so your tax structure should be as well.
271. So there is quite a complicated interrelationship between what you tell Revenue and Customs, properly, and what you might do as an MP with the allowances, perfectly properly, but they do not necessarily coincide.
272. SIR CHRISTOPHER KELLY: I am sure we will come back to the question of tax and mortgage interest and so on, but for the moment, accepting your point about flexibility, I was more interested in how you cope with that flexibility in terms setting the arrangements for a system for reimbursing expenses which has to apply to everyone and which, for control reasons, has to have some maximum applied to it.

273. ALAN DUNCAN: With enormous difficulty, and I have no doubt you relish the challenge. It is not easy. We have done our best, as a party, to try to set a few basics which can be charged, so that what are seen to be excesses or abuses can be totally removed. But as you will appreciate and as your Committee will appreciate, this does have a bearing on the financial circumstances of the Member.

274. SIR CHRISTOPHER KELLY: Turning to mortgage interest, I think it is your party leader rather than this Committee which has wanted to align the treatment for tax purposes with the treatment for the purposes of claiming expenses, and I do not think we have expressed a view on that one way or the other yet. Your proposals would still allow mortgage interest to be supported, with a cap, and it is, of course, possible to make a value-for-money case for supporting mortgage interest instead of rent, and it would be possible to change the arrangement so if you did support mortgage interest it was always cheaper than a comparable rental payment would be if you wanted to make that a condition of it. But you would still create a situation in which public money was being used to purchase an asset, the appreciation in value of which, or the depreciation, would then accrue to the Member of Parliament. Whether you pay tax on it or not, there is still potentially a gain to be had.

275. It ought not to make any difference to the taxpayer whether that happens, if the taxpayer's commitment is less under that system, but it clearly does in people's perceptions, and that has been one of the main issues recently. Do you think it will ever be possible to persuade the public that support for mortgage interest is actually a reasonable part in an expenses regime?

276. ALAN DUNCAN: I think it will be very difficult. I think that not doing it would cause very serious problems for Members of Parliament. It would be one of the very few circumstances where basically someone in a position is told they can only live in rented accommodation and that they cannot use an equivalent amount of money, no detriment to the taxpayer, to make a longer-term arrangement. What is also true, I suspect, is that a lot of these allowances are not covering the full costs of a Member of Parliament's activity in politics, perhaps broader activity.

277. So I accept it is difficult. If, however, and this would be the logic of it, you then conclude that that element of the ownership of a property which can be attributed to the allowance must be paid back, I would suggest that would be a very, very difficult mathematical calculation. The most straightforward calculation is that if you sell a second home, as distinct from your primary residence, you must pay capital gains tax, but that of course is already the case.

278. SIR CHRISTOPHER KELLY: But if benefiting from a gain is wrong, the fact that you are paying tax on part of that gain does make it right, does it?

279. ALAN DUNCAN: There seems to be an assumption on the part of many that it is definitely wrong. I have to say it is a very difficult, if you like,

moral issue with which to wrestle. I do not find it easy to conclude one way or the other whether it is morally wrong. Certainly in the context of what I have tried to explain are the origins of this, I think it is difficult to conclude that it is wrong. If you conclude that it has been wrong, there is the moral problem of whether you wish to apply a new rule retrospectively. But if your Committee concludes that it is wrong, then obviously you must make the appropriate proposals and hence mortgage interest will not be accepted in the future, but I think that is your call.

280. SIR CHRISTOPHER KELLY: Alan Langlands, when looking at this in relation to Scotland, came to the conclusion that it was so difficult that, on balance, mortgage interest should not be allowed as an expense and the Scottish Parliament has accepted that.

281. ALAN DUNCAN: I think when you are looking at distances and things like that the comparisons between the Scottish Parliament and Westminster are not exact. There are, of course, some powerful parallels but I would not suggest they are exactly the same. But again, if that is what you conclude, that is what you will conclude.

282. SIR CHRISTOPHER KELLY: You say in your submission there are actually two potential solutions to the problem of accommodation. One is what we have just been discussing, a cleaned-up version of something that looks very similar to the present arrangement, and the other is a flat-rate allowance taxed as income, which you described in this submission as a very difficult political decision in the current climate. Did you mean difficult or did you mean impossible?

283. ALAN DUNCAN: I never like to think that anything is impossible. I mean, in politics you want to challenges, but in this field I think it is impossible for politicians to advocate such a thing. But again I say that is why we think politicians should not set their own pay and allowances. This is fundamental. In a way, it is essential that we, as people who are sovereign in the Parliament, who have, if we so choose to use it, the power to determine our own remuneration should relinquish that. And if we are going to relinquish it, then we should not try to say what it should be.

284. SIR CHRISTOPHER KELLY: Let me rephrase the question. One of the most important reasons for doing this is in order to begin the process of restoring trust in those in public office, so it is very important that anything we recommend should not just be in accordance with the principles of public life but should also be credible with the public. Do you think that, even if we were to propose it, a daily allowance instead of the present arrangements would be something which would be credible with the wider public?

285. ALAN DUNCAN: I think it would be very difficult to introduce an allowance afresh on that scale for which no receipts would really be necessary because it would be automatic simply for turning up to do your job. So I cannot see that that is wise. Obviously there is a view, and it is quite strongly held by a lot of people, that the origin of this is that we have had this two-tier

salary structure, one where you are paid in things, which is absolutely unacceptable, and one where you are paid a salary, where they argue, "For goodness sake, just stick them together and get on with it and let people live their own life".

286. I think most MPs, who have had a pretty torrid time over the last couple of months, would like nothing more than to be completely shot of this housing allowance altogether, even if they got paid less. It has been so unsettling and demeaning that its perpetuation is almost a symbol of the discomfort they have felt over the last few weeks.

287. SIR CHRISTOPHER KELLY: There is another way of dealing with this, which is what you slightly sarcastically referred as the barracks solution.

288. ALAN DUNCAN: I think that is what you said this morning; I was not trying to be sarcastic.

289. SIR CHRISTOPHER KELLY: I withdraw that. You described it in terms that made it clear what you thought about it. There is a version, though, of the barracks solution which, incidentally is the one, as I said this morning, which is favoured by almost all of those members of the public who have written to us, which takes away from MPs the need to have to make arrangements of this kind themselves, either because, not in a barracks, they are put in the Olympic village, or because responsibility for finding accommodation of a suitable kind is handed over to somebody else, which could include a commercial renting agency. There are precedents in that for dealing with other public servants who have to be away from home on public duty.

290. ALAN DUNCAN: I doubt you are going to cut the cost of politics if you are going to set up a body that has to go and find 646 houses.

291. SIR CHRISTOPHER KELLY: You do not have to set up a body; you let a contract with a commercial renting agency, which already exists, to find accommodation.

292. ALAN DUNCAN: I think that would be expensive. I also make the point again that a lot of people have their own home in London, may have homes in London already, so you are back to an allowance, really, where perhaps, if you are not going to treat MPs differently, you say, "In lieu of us finding something that is rented, we give you the equivalent for what you have". But if there were something like that, you might quickly find that some people would, even if it is not a barracks, opt for their own home, and you are beginning to step back towards the days there is a big distinction between those who can afford to do it themselves and those who cannot. You would be opening up once again, I would suggest, the possibility of rich people having a serious advantage over others in their being able to be a Member of Parliament, and I think that would be regrettable.

293. SIR CHRISTOPHER KELLY: Thank you. Elizabeth.

294. DR ELIZABETH VALLANCE: Thank you. That would of course be true in any profession. My point is what is special about MPs in this respect?
295. ALAN DUNCAN: We are not special but we are uniquely different. The fact is we are supposed to be the pool of people in a Parliament through which all political difference can, in a civilised way, be resolved. We make laws, we form the Executive, we scrutinise the Executive, and that pool of people have to be of sufficient talent and sufficiently representative to guarantee all the freedoms and the standards which this country has enjoyed for centuries.
296. It is therefore a very, very peculiar institution and has within it no end of different, sometimes curmudgeonly, people who within themselves nonetheless have talents which a parliamentary democracy needs. If you do not pay them anything, and that is an option, it becomes the preserve of the rich. In Singapore, Lee Kuan Yew for 40 years has said they should be like the Olympians of democracy and be the very, very best so we will pay them the top whack.
297. There is no market for an MP in the natural sense. You can draw some comparators, perhaps, be they the local GP or a grade of whatever civil servant. But underpinning, I think, the workings of a democracy needs to be an understanding that whoever is elected, whatever their circumstances, they must be able to fulfil their political duty without being at a disadvantage. That, I think, is the overall picture that has been possibly lost over the last few weeks in what has been the understandable outburst of anger on the part of the British public who have suddenly seen a system they think is just completely inappropriate and which they believe has been abused.
298. DR ELIZABETH VALLANCE: But they are right, are they not, in the sense, to go back to the point about what is different about MPs, that there are some ways in which MPs are inappropriately, in some people's view, treated differently from the rest of us, and people find it rather difficult to see how that relates to the job and to doing the job properly. Special tax arrangements, perhaps being able to subsidise a level or a style of living that they would not be able to afford otherwise, I think people sometimes see that as not necessarily being explained in terms of doing the job.
299. ALAN DUNCAN: In order to answer the question, if you will forgive me, can I just fire a question at you so I understand what you are saying. What are the special tax arrangements to which you are referring, so I can be sure?
300. DR ELIZABETH VALLANCE: There are tax arrangements where you do not actually pay tax, on allowances and so on, but that is not really --
301. ALAN DUNCAN: The second home allowance I think is the only one.
302. DR ELIZABETH VALLANCE: That is not my actual point. My point is, to go back to your statement to begin with, which was on the role of an MP, which I think is very important and is fundamental to what we are about here, we have heard this morning from the Leader of the House and from Professor

Anthony King, and they had really diametrically opposed ideas of what the job was about. The Leader of the House thinks it is a constituency-based job and constituency MPs come to Parliament. She does exclude ministers, I have to say. Professor King, on the other hand, says that it should not be. It is lamentable if it is the case that it is a constituency-based job; it ought to be ruling the country. It should be a parliamentary job where, from time to time, you go back to your constituency. Where do you stand on that?

303. ALAN DUNCAN: On that issue I err much more on the side of Professor King. It is the old adage, a cliché, that we are elected to represent our constituents in Westminster, not to represent Westminster to our constituents. But let us also be realistic. The burden of an MP's work has dramatically increased over the last 25 years.
304. DR ELIZABETH VALLANCE: Largely in the constituency.
305. ALAN DUNCAN: Yes, and more. Back in the great Victorian days, we had an empire and all that, and a percentage could not and vote and there were a few MPs who could run the country; it was a very, very different state of affairs. We now have a much bigger state where we are scrutinising not just government departments, which in themselves are much, much bigger, massive state budgets, quangos as well, but also the casework has dramatically increased. I have been a MP for 17 years and although I used to get quite a lot of letters, you could handle it in the way you had your surgeries and by phone calls. Now you have the internet, you have many more benefits cases. At the moment I have benefits cases, bankruptcy cases, insolvency cases, no end of casework, not to say many, many issues which should, in many ways, normally go to councillors but in fact which come to us. They do not write to their MEP very much, or their councillor, they tend to write to their MP more than anybody else.
306. Hence the allowances. We have a Communications Allowance to keep in touch with people. We say get rid of that. We have an office costs allowance to pay for the photocopier, possibly the rent of the building and the pens, the computers, which I think is uncontroversial and I think by and large works pretty well and everything is receipted and so it should be. We have a Staffing Allowance, which has grown, of about £100,000. It does not benefit the MP directly, although some people roll it up with our salary and say, "Look, is it not great we get it." It goes to staff that are doing a lot of hard parliamentary work to serve our constituents. So the burden and the job of an MP has dramatically increased at the constituency end, I fear to the determined of much of what the original purpose of an MP used to be, which is to make law. I think the one that has suffered most is our role as effective legislators. We struggle to be effective scrutinisers of the Executive.
307. I will tell you one thing, if I may, that I think you might be aware of. Pay differentials have gradually come into Parliament. An MP elected on day one gets paid exactly the same as someone who was elected 30 years earlier. But chairmen of select committees are paid a bit more, the Speakers Panel are paid a bit more and some whips are paid a bit more, even in opposition. So

there is gradually a great draw from an MP to forego his basic legislative responsibilities and slurp away and ingratiate themselves in order to become part of the Executive. Just to complete my sentence, the pay differentials have completely changed the balance of Parliament away from the backbencher towards the Executive.

308. DR ELIZABETH VALLANCE: Thank you. That is really interesting background. Can I take you now on to this proposed Parliamentary Standards Authority, which we heard from the Leader of the House this morning is going to be set up after what she was on record as calling for wide consultation. You are somebody who is on record elsewhere as being very critical of the fact that the Executive leads things, you say, in this area all the time. Do you see this as being Executive led? Do you think there has been consultation? Will there be? Is there enough time for consultation when we are told that this is supposed to be legislation that is to be in place by the end of July?

309. ALAN DUNCAN: I sense a little bit of sensitivity from this Committee about the arrival of what might be a new one.

310. SIR CHRISTOPHER KELLY: That is not sensitivity; it is acceptance of the principle. It is concern whether there is enough time to think through the details sufficiently.

311. DR ELIZABETH VALLANCE: We have no problem at all with the ideas you have agreed of taking the setting of allowances or the repaying of expenses out of MPs' hands. The independence is not the issue; the issue is that you are creating what could become a bureaucratic monster on the basis that it is supposed to be changing people's behaviour. We have questioned, only questioned, whether in fact it would achieve that end. What I am saying to you is do you feel that you have had sufficient consultation in the House, in Parliament as opposed to simply the Executive, to actually take something through here which will deal with the issues?

312. ALAN DUNCAN: I think it is too early to say. Obviously there has not been consultation in Parliament as such because it has not been debated because the Bill has not yet been laid, but there have been some elementary consultations at frontbench level but only in the last few days.

313. I think what we have seen over the last few weeks, given the absolute outburst and uproar on MPs' expenses is lots and lots of different channels that are running at the same time. No sooner do we think we have pinned something down than up comes another announcement from the Prime Minister that none of us saw coming. Although we do favour having an outside body - and I think there is probably a strong argument to say it is quite good to have a dedicated parliamentary outside body to determine our pay and allowances - we did not exactly see this one coming. But given that we favour that, we have to look at what is proposed.

314. It is possible, if it comes out well, that a Parliamentary Standards Authority can take the big picture. Let us face it, you are only looking at what

you call expenses; I would say expenses and allowances. But the SSRB is looking at pay; the SSRB is looking at the pension. There has not been a massive debate, although it is heartening to have it today to some extent, about what Parliament needs to be. So the big question mark over this whole exercise is who is bringing the whole picture together. Sir Christopher, in your opening thing which I have already referred to, you say that you can alter one part of the picture and it has a bearing on the other, therefore if you are only looking at one bit, who then looks at the other bit. We do have a very fragmented process at the moment.

315. So if we are to have a solution which is going to endure, it could be right to have this Committee. On standards, and this is a slightly different issue and I would suggest is the more vexed issue, if we have code of conduct for MPs, should it be justiciable, can it be subject to judicial review, might we end up with a political court, in a way, which can suddenly be seen to be making a judicial decision on a MP's conduct which might have massive and hence divisive political implications which otherwise should have been resolved in Parliament. This is potentially very dangerous territory.

316. DR ELIZABETH VALLANCE: This is surely the point: that a lot of these issues need to be resolved in Parliament. Parliament can perfectly well, retain parliamentary sovereignty but give away certain of its powers, like the setting of pay and allowances, but it has to agree to that. What I am really asking is is there time now for you to thoroughly debate this, decide what it is that you are giving away and be sure in your own minds that what you are giving away is going to achieve the required result.

317. ALAN DUNCAN: Yes.

318. DR ELIZABETH VALLANCE: For example, I asked the Leader of the House how the PSA would work. Just on very, very basic things. How will it be appointed? Who will it be accountable to? What is your view on that?

319. ALAN DUNCAN: We do not know yet. This is a Government proposal and they have not laid the Bill yet.

320. DR ELIZABETH VALLANCE: But you know what is being proposed, in the sense that they are proposing an authority. You must have thought through some of the very basic things here.

321. ALAN DUNCAN: Of course. The appointment is crucial. One would like to think they will know something about Parliament and will understand what is necessary for Parliament to work well. We will have to, I think, introduce an element of doubt, inevitably, into what we end up being paid, because we are giving it to an outside body. I think that there is a danger that we do this too quickly; I quite appreciate that. I quite accept that it will look odd in some ways that here you are, having been asked to do this first and are likely to report in October, then suddenly along comes this new body which might be set up in July.

322. The question is what will its scope be in addition perhaps to just doing pay and allowances. At its best, if it is just doing pay and allowances, and it really listens to what you have concluded, but also the SSRB and introduces in its own mind principles of what Parliament should be, that it could be a very, very good thing.
323. I have more concerns I have to say, about discipline. By and large, the House of Commons has been pretty good at calling to account MPs who have behaved badly, be it leaking Select Committee reports or doing something improper. The British public have been absolutely incandescent over the last few weeks, primarily about this second home allowance. Various words have been bandied around like we are the most corrupt Parliament in British history.
324. I would just like to say one thing. I have been around the world quite a lot and you can open any newspaper - you do not have to go around the world - to learn that in some countries politicians bank millions. I could name three or four countries where you have billionaire politicians who have made money out of politics. If there is one thing I really believe, it is that British politics is not corrupt in that sense. I do not believe that I have ever even suspected a minister of banking money on the back of the executive decisions and the executive power he has. I cannot think of anyone in politics who has made a fortune out of being in politics. I think that the system has become corrupted in the sense that it is working in a pretty shabby way, and that needs to be tidied up.
325. DR ELIZABETH VALLANCE: But if you ask the man on the Clapham omnibus, he would say that it is a pretty shabby system and there are some pretty shabby people in it. That is the impression that is being given, and it is surely not a very good or convincing response to that to say that we are better than the worst, but I think that there is maybe a comment made there.
326. ALAN DUNCAN: I think we will let that one rest.
327. SIR CHRISTOPHER KELLY: Denise.
328. DAME DENISE PLATT: I would like to come back to the issues that you have raised about staffing and the Staffing Allowance. In your submission you said that there is too much scope to use the Staffing Allowance to subsidise political activity. It would be helpful to know what you meant by that and what sorts of things you had in mind.
329. ALAN DUNCAN: I think that what we said in our submission was that there is too much scope in the Communications Allowance. It is that one rather than staffing. The Communications Allowance can pay for a website; I think that is fine.
330. DAME DENISE PLATT: One of my colleagues is going to come on to this more detail. Can I stick with staffing? One of the issues that has been raised with us is staffing constituency offices, separating out the way they support their Member of Parliament on their parliamentary business and their

parliamentary duties, and then getting involved in local party political activities. Is this an issue that has preoccupied you or that you have a view on?

331. ALAN DUNCAN: When the staffing allowances came in I thought about this very deeply. Personally, in my own constituency I tried to set up what I believe to be the exemplary structure, which was an absolute clear division between constituency political activity, for which one's local party association is the main focus of activity, and parliamentary activity. Inevitably there is some link between an MP and his association as well as his parliamentary staff. So I think it is okay to have the parliamentary office in the same building.

332. In my case, I divide it upstairs downstairs, absolutely straight and clear, but there has to be a clear separation, in my view, of people and also third-party determination of what is a fair rent. I have a surveyor to determine what the fair rent is, and it is on a three-year review and it is under a contract. I do not allow any of the staffing allowance in any way to find its way going upstairs to pay for even a bit of a party agent or something like that. I think that the clearer the distinctions on this, the better.

333. I think if you were to say you are not allowed to have them in the same building it would be impractical and unnecessary, but I think a strict policing of the staffing allowance to make sure it is not, for instance, paying for a political agent who pretends to be the parliamentary caseworker or something like that is very important. Nor should there just be an open-ended, annual payment out of the staffing allowance into the local association, pretending to be for parliamentary purposes but in fact going into that grey area of what could be labelled a subsidy.

334. DR BRIAN WOODS-SCAWEN: For the record, under the heading staffing, there is a paragraph in the Conservative Party's evidence that says, "We must understand there is a clear principle that parliamentary allowances should be used only for parliamentary work."

335. That is what you have just said. Then it goes on to say, "At present there is too much scope to use the allowance to subsidise political activity and the Conservative Party will be looking further into this issue."

336. ALAN DUNCAN: I beg your pardon if I had not properly understood my own submission, but I fully agree with anything we were saying from a different paragraph. My apologies if I steered you down the wrong alley there.

337. DAME DENISE PLATT: I am going to pursue the offices in constituency premises, because it has been put to us that leasing accommodation from constituency offices, even if it is separate, is a way of channelling public funds into party coffers. Do you want to make any additional comment on that? And it could go towards acquiring an asset, the building.

338. ALAN DUNCAN: Only if they own the building, which they could otherwise rent. So if it is a market rent, properly determined, which they would

get otherwise from somebody else instead, I cannot see the issue.

339. DAME DENISE PLATT: I am going to turn to employment of family members, if that is okay. Again in your submission, you say that MPs should be allowed to employ family members, "If the terms of their employment are open, transparent and a proper reflection of the work that they do."
340. In other public bodies, people are not allowed to line-manage their relatives or other members of their family in employment. Certainly from the volume of evidence that we have received from the members of the public, there is a view that employment of family members either should be banned altogether or that the process of their appointment should be more transparent, possibly competitive and certainly that there should be a decision made about the competencies of the person to do the job. I wonder if you would like to expand your views and comment on some of those things.
341. ALAN DUNCAN: Yes. It may well be that the main qualification for doing the job is being prepared to do it, with all the pressures that go along with it, because it is an intensely personal relationship with the Member of Parliament. I think, and this is the party view and I think everyone would agree with this now, it has to be registered. If someone is a close family member they should be registered as such so that it is known. Likewise, they should be on a proper contract which reflects the actual work they are doing.
342. I think the only issue of real concern is whether a family member, because they are a family member, is somehow paid an inflated salary which someone else doing the job would not otherwise earn. Therefore, I think it has to be properly audited, and there are proper pay scales within the Staffing Allowance within which all these contracts have to be set.
343. I think that there is also perhaps insufficient appreciation of the real dedicated amount of work that all staff do for MPs, who are the most peculiar employers and have the most demanding ... I sometimes think that in many aspects of employment, it is only working for an MP that people sometimes put up with what they have to put up with. The demands are massive at all hours of the day. The working hours tend to go far beyond anything that is in the contract. You are often dealing with really some pretty heartrending cases of personal distress. You are dealing, of course, with political pressure. It is very often only a husband and wife team that can go through all of those pressures in the pressure cooker, and I do not think it should be belittled. I think that some of the wives I have seen in Parliament who are working for their husband as an MP - or the other way around, actually, in many cases - do far more for the salary than anyone would otherwise do who is just normally employed.
344. My personal experience, and you can call it anecdotal if you wish, is that those who are working for their spouse offer more value for money and more dedicated hard work and put up with far more than many other people would ever do.

345. DAME DENISE PLATT: The analogy that many of your colleagues in the House who have written to us with their views is that being an MP and working in your constituency and in Parliament is like being either a small business or a family business, where your family take part in whatever the ends and aims of that business are. Is that an analogy that you could see, support and is appropriate?
346. ALAN DUNCAN: Yes. I think it is as close a parallel as we are going to find. I think in many cases it goes way beyond that.
347. DAME DENISE PLATT: A family business is not public money, of course, which is where the public perception of that analogy is not supported.
348. ALAN DUNCAN: No, but equally they work very, very hard for a greater purpose, which I think is, in terms of enterprise, a very good thing, and in terms of what I believe to be genuine public service, a very, very good thing.
349. Your point about public funds throws up a very interesting issue here. Someone who feels very strongly about this has asked me to put it, so I will put it as a vehicle for their passionate view. He said, "I think we are going through a process in which Parliament risks being nationalised". I think the more I think about it, the more I think I know what he is saying. There have to be concerns about how public money is spent, but there must also be, in an understanding of what Parliament needs to be, a belief in the freedom of individual MPs to be different, to have their own views, not to be trammelled and owned by any kind of straitjacket which would restrict their political freedom and their ability to argue. I sense there is the beginning that MPs feel that is happening.
350. DAME DENISE PLATT: You mentioned in your opening submission that moves have been made towards central employment and that that was a positive thing around transparency, et cetera, and the issues that you have emphasised in your submission. What does that central employment, then, mean in practice?
351. ALAN DUNCAN: There has been a resolution of the House to require the House of Commons Commission to come back and explain how such central employment is practical. In a way they are centrally employed. The payroll is administered by the House of Commons Fees Office, contracts have to be given to the Fees Office and, to that extent, they are centrally employed. In terms of employment law they are answerable to the individual Member of Parliament.
352. I only came on to the House of Commons Commission in January, and so I was not familiar with an earlier report on this, but it has been explained to me that actually the issues are bigger than that. First of all, it would mean that the House of Commons would assume employment law legislation for a cadre of perhaps 2,500 employees, which completely changes the nature of its employment law obligations in terms of disability quotients and all sorts of

things.

353. But it is not just about the House of Commons. An increasing number, as we have been discussing, of Members have offices in the constituency, so it would also mean that the House of Commons would have to assume liability in employment law, insurance, accommodation and everything for, potentially, 646 satellite offices, which could be very expensive. If we are going to find a wonderful land agent to find properties in London, it is small beer compared to finding 646 across the whole of the United Kingdom.

354. So the implications are, I think, broader and more complicated than that feeling of, "We must get it into the centre and away from ourselves" suggests. I think this illustrates, really, how in so many of these areas the arguments are far more complicated than a lot of people realise, and that Parliament is different, it is odd, it is unique, it is in the core of our politics but it is not like any other institution.

355. DAME DENISE PLATT: I think we realise it is complex, hence the question.

356. ALAN DUNCAN: It is a nightmare.

357. SIR CHRISTOPHER KELLY: Can I just clarify one point about employment of family members? I entirely understand and recognise what you say about how hardworking many employed spouses are and about how much value for money they provide to the taxpayer and all of that. If we were starting from scratch, there is a very strong argument for continuing with it, but we start from where we are, and where we start from is a situation in which the task is to restore credibility and integrity of those in public office. So then you look at those things which look odd, and one of the things that looks odd is the use of public money to employ relatives. Indeed, that is where we started back with Derek Conway, although there it was sons and not spouses. So the question is not just is it okay to employ family members, the question is could you ever persuade the public that a system that allowed the employment of family members was one which had been cleaned up.

358. The normal response to that is to say that is okay if actually you make sure that people are subject to the same rules as anybody else, fair and equal competition but actually I have some difficulty in seeing how you could fairly interview your own wife, your own husband, in determining whether or not they were the best person to do the job.

359. ALAN DUNCAN: It will have happened once before some time in the nine --

360. SIR CHRISTOPHER KELLY: There are two questions there: (1) could you ever persuade the public that a system that continued to allow it was one which had been cleaned up? And (2) are the safeguards that some people would want to introduce credible?

361. ALAN DUNCAN: I think there are safeguards and, yes, I think it is policeable. If I can throw it back at you, I think this is in your court as a decision of how you see yourselves as a committee as one that is able and one that wishes to persuade as much as it wishes to take account of public opinion. I think it is in that marginal territory.
362. SIR CHRISTOPHER KELLY: I understand the point you make.
363. ALAN DUNCAN: Looking at the clock, may I say one thing about London MPs which we have not covered?
364. SIR CHRISTOPHER KELLY: I think we have another 15 minutes.
365. ALAN DUNCAN: Oh, I beg your pardon; I am cutting myself short.
366. DR BRIAN WOODS-SCAWEN: Could I turn to outside interests? You referred to Lord Nolan's original view which was that MPs should not be prevented from outside employment and you say, "We have not yet seen the case for departing from this view". Does that mean that you are open to persuasion and you might yet see the case?
367. ALAN DUNCAN: I think about this a lot and I think you would find it difficult to persuade me, because I think it would fundamentally change the nature of Parliament. If we want to take a view that Parliament should be a completely different institution then fine, let us do that, but let us do it openly. I think there is a lot of misunderstanding about the use of the word "interest" and the current popular view is that if anyone has an interest outside Parliament, therefore there is an automatic conflict of interest inside Parliament. I think this is wrong and is based on misunderstanding. The Nolan Committee absolutely said that if you had an interest that had a bearing on Parliament which meant you were being paid to do something for Parliamentary purposes, then you could not and should not. If you, for instance, are a non-executive director of a company you know all about what the company is doing. Yes, it is an interest but it does not necessarily in any way affect your independence and probity as a Member of Parliament.
368. The fundamental principle about our Parliamentary democracy is this: MPs only have power, and hence influence, when they act collectively. They have to get a majority in Parliament in order to get their way. Even if you take an amendment, in nobody likes it, it will not get through. However, Ministers can take executive decisions and can make a difference by the single decision they take and, therefore, they are forbidden to have outside interests because there is almost invariably a conflict between them being able to take executive decisions of the Minister and having any kind of financial link with anything else outside Parliament. Interests affect Ministers far more than they do back-benchers, and having an outside interest is not necessarily a conflict of interest within Parliament. Indeed, if you have been a director of a steel company, you are probably in a very good position to inform Parliament about the steel industry.

369. What used to happen was, based on convention, when people who owned the steel companies were in Parliament, they would speak but not vote on the issue in question. Sir John Osborne - of Osborne Steel in Sheffield who was talking about steel nationalisation in the 1950s - was brilliant on the topic but then declined to vote.
370. I think there needs to be a better understanding everywhere of what an interest is and how it has a bearing on parliamentary conduct and I think that has been lost.
371. DR BRIAN WOODS-SCAWEN: The other argument is the view that being a Member of Parliament is or ought to be substantially a full-time role and, therefore, any significant outside interest detracts from the ability fully to discharge your responsibilities.
372. ALAN DUNCAN: At the risk of being slightly cheeky, what do you mean by a full-time role? This phrase is used all the time but I have never heard it defined in comparison to what one might elsewhere in life understand to be full-time. I put the question and now I will try and answer it. An MP will work far more hours than almost any other job. I phone up a local council to try and solve a problem after 4.30pm or 5.00pm and you get the answer phone. People phone my office or my colleagues and you get them at extraordinary hours; even at the weekends. Full-time, for a lot of people who are paid a lot more, is 9.00am until 5.00pm five days a week. Whatever you call it - full-time, part-time, time we spend - for us is already greatly in excess of that.
373. If in addition an MP either wants to top up their income or keep learning about something, then they can have outside interests and benefit from it. Not of course if they are ministers, as I have explained. If they do not, all their opinion becomes a received opinion. All their experience becomes narrower. All their purpose becomes dangerously potentially formulaic, robotic. If that is what we want Parliament to be, let us have it. I think it depends on whether you think that MPs should be functionaries of a perhaps inexperienced sort with no rooting in outside issues or whether you think they should be people with real experience in lots of areas from which pool you ultimately might have to draw someone who has to make the difference between going to war or keeping the peace.
374. If we do not want to have all those outside interests then I think it takes us into an area where there is a new political debate opening up which is whether the old Victorian model of Parliament can work anymore or whether it is completely shot through. If we think it is shot through and that you cannot any longer have this strange hybrid mix between back-benchers and the Executive with people moving between the two, then what you do is you are opening up an argument for a presence where you have a directly elected Prime Minister under the Queen with two Houses of Parliament directly elected - a Commons and a Lords or Senate - where you have an absolute separation of powers.

375. It may be that over the decades that argument will grow but I think that underpinning everything - we are in the middle of this real storm of outrage - is the fundamental question about what we want our Parliament to be.
376. DR BRIAN WOODS-SCAWEN: Can I briefly cover a specific issue which the Prime Minister has asked us to cover and that is the position of members who - I guess for reasons on principle - choose not to take up their seats, and whether they should be entitled to a full allowance regime given that they are not in Parliament shaping policy?
377. ALAN DUNCAN: No.
378. DR BRIAN WOODS-SCAWEN: In your view, does that mean that they should have a modified regime given that they still have constituents to serve or that they should not be subject to any support or allowance?
379. ALAN DUNCAN: I think that if someone stands for Parliament and does not take up their seat and fulfil their proper role as a Member of Parliament for which they have stood in an election, then the starting gun on anything they get should not be fired.
380. DR BRIAN WOODS-SCAWEN: How would you respond to the argument that they have done this with full disclosure? Their electorate has supported them in that stance and, therefore, they are doing it with the full-hearted consent of their constituents?
381. ALAN DUNCAN: My personal view is that I think it is improper not to serve in Parliament but still to claim all the money.
382. SIR CHRISTOPHER KELLY: That could not be clearer. Thank you. We have a little more time. Lloyd?
383. LLOYD CLARKE: Firstly, can I speak about the Resettlement Grant? Your submission is obviously silent on that; it does not take the view. The SSRB's view was that the Resettlement Grant should be phased out for those MPs who resign or retire. Is that your view?
384. ALAN DUNCAN: We have not expressed a view on this and, to be honest, we have not gone into it in great detail so if you could accept this reaction as instinctive rather than an official one I would be grateful. I am inclined to keep it as it is. I think that one of the things that is not appreciated is that the tenure of an MP is shorter than people realise. Of course if you have a safe seat you might do 20 years or so, but for the majority they do not exceed more than 10. By the way it has a bearing on the pension payout as you well understand. My hunch is that at the next election most of these sitting MPs who might want to come and ask to be paid the Resettlement Grant are not going to be on my side of the House. But I would not believe in trying to apply rules which are in that sense partisan. I think the most important thing about all the rules that govern the House of Commons is that they should not be set for the advantage of one side over the other. To

change the rules mid-stream, which some people are suggesting - I appreciate you did not just now - would be questionable.

385. LLOYD CLARKE: Having said that, you have changed the rules mid-stream on many other things including the John Lewis list, etc, so you have done that mid-stream.
386. ALAN DUNCAN: Yes. It has less bearing and of course it is for Members in the House rather than those who have been de-elected or those who have lost the election. Personally I would not choose to rub their nose in it in that way.
387. LLOYD CLARKE: If on reflection you do see other reasons for retaining the Resettlement Grant, if you would like to write to us in any event and put those down as bullet points or whatever.
388. ALAN DUNCAN: Certainly.
389. LLOYD CLARKE: I was going to say exactly the same in respect of the Communications Allowance because I know exactly where you stand. You could not be clearer. But what I do not understand is the rationale; why you say it should not be there.
390. ALAN DUNCAN: I think that although under the rules the Communications Allowance is designed to be for parliamentary purposes which is you tell your constituents what you are doing, in fact we see it much more as a subsidy for incumbency where you can use your position as a sitting MP to keep your hand in and keep your reputation up which we think really is more of a political activity than a parliamentary one. That is our basic view.
391. LLOYD CLARKE: Okay, thank you.
392. SIR CHRISTOPHER KELLY: Thank you very much. You wanted to make a point?
393. ALAN DUNCAN: Thank you. One of the issues that I sense is emerging on the London allowance or the status of London MPs is that the boundaries are being pushed out in this sense. One option is to pay all MPs the same. The chosen option at the moment is to say that a second home allowance can apply to people who are outside 21 miles I think it is from Westminster. The issue governing that is you can commute within that distance so you do not need a second home. There is now political pressure from the media and local campaigners for anyone just outside that perimeter to say, "I promise you will I not take a second home allowance because I can commute". Therefore what we are going to find is that candidates are going to fight a general election saying, "Vote for me. I am cheaper. I am not going to take the allowance" and you are going to find that MPs are going to be drawn within that commuter belt right to the edge such as they cannot then have a home in London and a home outside. That is going to, I think, put enormous

pressure on the House of Commons to change its hours because people will not be able to stick with the current hours and also do the commute.

394. I merely flag this up as an example of how some of the cut-off points on rules can have unforeseen outcomes and perverse political implications. I think it is very important that the set of rules governing Parliament cannot be turned into a political football at an election because an election needs to be about the issues that really matter for the country.
395. SIR DEREK MORRIS: Is there time for one question?
396. SIR CHRISTOPHER KELLY: Okay.
397. SIR DEREK MORRIS: Virtually all the allowances, and indeed activities like employment of family members and outside interests and so on, have a very clear good reason. Almost all of them are open to abuse. I think you probably agree that in the present climate to just stick with them and ignore the potential for abuse is not really an option. On the other hand just to simply ban such activities or eliminate such allowances on the ground that there is potential for abuse maybe a severe over-reaction when there are good justifications. Time and again on a whole series of allowances and activities that we have discussed the dilemma for the Committee is you find yourself drawn towards, "We must maintain this but we must stop the abuse". The problem with that is you get drawn irresistibly into all the detail. Everyone says, "Whatever you come up with, it must be simple and transparent" and yet, for example, outside commitments, maybe we have to monitor them or the activity of spouses; we have to monitor that. Or the Communications Allowance; we have to look at all the documents. All these are possibly quite impractical but even something such as the proposal your party put forward on second homes looks straightforward but what of the person who pays the maximum rent to their sister or brother for a small room? What of the person who owning a house in London becomes an MP and promptly sells it so they can rent somewhere else and get an allowance or indeed rents out their own house? Suddenly we are sucked into all this detail. Do you see any way through this whole nexus of problems?
398. ALAN DUNCAN: It would appear you are implicitly putting an argument for rolling things up in some way and saying, "Get on with your own life within a given amount of money as salary". I take issue with you slightly on the scope of abuse that is possible under many of these allowances. I chair the Audit Committee of the House of Commons. We have a much stricter audit and assurance regime. They are all going to be looked at for the past four years. I think a lot of the uproar at the moment is based on something that was four years ago, since which time quite a lot has happened to tighten these things up. I do not think there is much scope for abuse on the office costs allowance, nor really on the staffing. If you are employing two staff, the policing of that is pretty straight forward I would suggest. The communications, we have discussed. That is not an abuse; that is just whether you think it is a justified purpose.

399. The crux of everything is the second home allowance. If this second home allowance had not existed there would hardly have been a newspaper story. It is the basis of everything that has gone wrong. So, as we are proposing - as David Cameron is saying - it has absolutely got to be tidied up. But I appreciate what you are saying and what others have been saying to me about why do you not just get rid of it altogether? So, it could well be that a radical approach from this Committee would be welcomed by a lot of people and get rid of this almost insoluble problem of policing an accusation. But on that, I say over to you.

400. SIR CHRISTOPHER KELLY: Thank you very much. You said at the beginning that you were here in a dual role: to represent your party's position and the position of Member of the House of Commons more generally. Do you feel you have had the opportunity to tell us what you wanted to on those issues?

401. ALAN DUNCAN: I am very grateful to you all for, yes, definitely giving me the opportunity to say that and I really would reiterate that the position of David Cameron is the party's position, which I agree with and put forward, but that I am grateful to you for letting me also be a vehicle as someone who has to meet other wider responsibilities in the House of Commons, to put forward the views that have been put to me by other members and outside bodies. I think that was very fruitful. Thank you.

402. SIR CHRISTOPHER KELLY: Thank you. If we have further questions on reflection to ask, I hope we can follow them up in writing with you.

403. ALAN DUNCAN: Certainly.

404. SIR CHRISTOPHER KELLY: Thank you very much for your time.

DAVID HEATH MP, LIBERAL DEMOCRAT SHADOW LEADER OF THE HOUSE OF COMMONS

405. SIR CHRISTOPHER KELLY: Our next witness is David Heath MP, the Liberal Democrat Shadow Leader of the House of Commons. Mr Heath, you are very welcome to this Inquiry. You may or may not have had the advantage of hearing what your two opposite numbers have already told us.

406. DAVID HEATH MP: Only the very last sentences I am afraid.

407. SIR CHRISTOPHER KELLY: You have given us a very helpful opening statement which you wanted to make. It is, however, quite long. I do not know if you really feel the necessity --

408. DAVID HEATH: I was hoping you would not want me to actually read it.

409. SIR CHRISTOPHER KELLY: I was rather hoping that too. But if there are things you want to say by way of introduction we would be glad to hear them.
410. DAVID HEATH: Thank you, Sir Christopher. As I say, I am assuming that, that is there on the record.² Just to say I am delighted to be before the Committee again. I think it is about the third or fourth time I have given evidence to this Committee in its various forms and on a variety of subjects and I am delighted to do so again.
411. The one point I did make in my submission is that I cannot possibly claim to speak even for the other 62 colleagues in my own party, let alone for the whole House. We all have our opinions on this and you will be sifting through those but I will give you my own strong impressions and ones which I think are consistent with the view that I have expressed on behalf of the party over recent years.
412. SIR CHRISTOPHER KELLY: Thank you very much. Can I begin with the same question I have asked your two opposite numbers and that is: recent events have led to a number of proposals to change rules and method of regulation and so on, all of which taken in their own sound very sensible and no doubt we will propose further changes and rules and regulations. Yet actually the rule was quite clear. The rule was that MPs should only claim reimbursement of expenses wholly necessary and exclusively incurred in the conduct of their job as an MP. So, changes in rules by themselves may not be quite enough. Do you think changes in the rules are enough or do you think there is something further or different that is required in order to create a culture in the House of Commons so that Members of Parliament do not do things about which they subsequently become ashamed?
413. DAVID HEATH: Yes, I am glad you have picked up that point because it is a point that I have repeatedly made in broadcasts over recent weeks. I do not know whether I am hopelessly naïve but I always felt that when one signed each form for reimbursement where you are asked to certify that the expenses you are claiming for is wholly incurred in the course of parliamentary duties, that that meant exactly what it said. I find it quite impossible to reconcile that act of certification with some of the things that have emerged as part of these disclosures that people have claimed for as being necessary to their parliamentary duties. It simply is not possible to reconcile those two views.
414. That means that whatever rules emerge from your considerations we clearly need a change of culture within the House of Commons. Having said that, I think the greatest spur to that change of culture is a sort of transparency that many people have been arguing for for some time, coupled with much more rigour in audit than we have had in recent times. I think if you put together transparency so that the public, the media and indeed your own constituents can see what you consider to be necessary for your parliamentary duties. Plus rigour in audit which means that at the time of making a claim and

² The statement is appended to this transcript

subsequently when those claims are checked that somebody actually takes you aside and says, "How on earth can you justify this?" in the same way that any business would be expected to do so before the taxman or if you were an employee before the internal audit arrangements of a company. Then I think we would see less abuse than clearly there has been which I find, as I say, rather shocking.

415. SIR CHRISTOPHER KELLY: We have tended to take transparency for granted now. We have not asked either of your counterparts questions about transparency because it seems so obvious that it has to be a part of the control and assurance system, apart from being one of the principles of public life anyway. But there was a great reaction against it at the time. Do you think we are right now to regard that as being so firmly established that there can be no going back or do you think there are still risks around that?
416. DAVID HEATH: Having experienced what has happened in the last few years in the House of Commons where each step towards transparency has been bitterly resisted by some and where following the realisation that the Freedom of Information Act applies to Parliament as well as to the rest of the population, there was an attempt at a counter revolution; the Private Members Bill in the name of David McLean which actually tried to exempt Parliament from the provisions of the Freedom of Information Act which, again, some of us fought very strongly to prevent that going through the Commons, fruitlessly as it turned out because in the end we were overwhelmed by the numbers who did think it was a very good idea. I think I now see why.
417. The only way that we avoided that was the fact that no member of the House of Lords was prepared to pick up the Bill because they saw the difficulties that were likely to emerge. So, I do not think it can be taken for granted, even within the current context that there will not be those who feel that they would like to return to a level of secrecy which I think is entirely inappropriate and I hope your Committee will make it quite clear that such a backsliding is something that you deplore and take steps to avoid it happening. I do not think you can be complacent about it. I think there are certainly those still who say, "If you had not let all this information out none of this will have happened", and I have heard that from colleagues of long standing in the House.
418. SIR CHRISTOPHER KELLY: Thank you. I do not think there is any risk that we will not say strong words in favour of transparency in our report. The other thing that we trot out on this subject is that we need a system which is fair to both the MP and to the taxpayer and which supports the Member of Parliament properly and adequately in doing the important job that Members of Parliament do. If you ask members of the public what are the characteristics they would really want in a Member of Parliament, I know that fairly high on the list would be behaving honestly, with integrity, with independence. Do you think the arrangements, as now being changed, support not honesty and integrity, but support the last of that trinity: independence of mind?

419. DAVID HEATH: Yes, I think political independence - independence of thought - is quite different from being able to manipulate expenses to your own satisfaction and I certainly would not equate the two. There is a risk - and I think I alluded to it in my written remarks - that if everything is nationalised that the provision of staff, provision of offices, provision of accommodation, absolutely everything, the individual Member of Parliament becomes beholden to the Executive in one form or another. That might compromise independence to an extent. One of the most important things is to remember that we represent widely different communities with very different characteristics so, for instance, the provision of the right balance of staff between a constituency and a Westminster office may be affected by the workload that is normal in your constituency. Some colleagues who represent inner city constituencies have a vast volume of immigration work, for instance, which is not my experience in rural Somerset. However, I do represent 130 villages and 900 square miles of rural Somerset. That puts different requirements on where I deploy both staff and indeed my own time in the way that I operate.

420. I would argue that there is a need to retain the latitude to organise our work in the way we believe to be most effective for our constituents but at the same time to a common set of ground rules which do not allow some of the things we have seen over recent years.

421. SIR CHRISTOPHER KELLY: If I turn to accommodation there is a significant degree of consensus about some of the main things that need to be done going forward. One of the things that distinguishes the Liberal Democrats evidence to the Committee is that you are in favour of ending support for mortgage interest. Would you like to expand on why you take that view?

422. DAVID HEATH: Yes. I have personally taken this view; I just felt that it was wrong in principle for Members of Parliament to gain a property interest courtesy of the taxpayer. For me there is a basic matter of principle there. Once you get past that point - if you accept the premise that the allowances are not intended to enrich the individual Member of Parliament by allowing them to effectively enter the property game within London or indeed in their constituencies - then there are a number of ways of tackling it. If the interest only mortgage option is to be won then there are big questions about how one deals with capital gains; how one apportions any profits from future sales; how one deals with value added through acquisition or improvements to the property. I think it becomes very, very complex indeed. I am not sure there is an easy way of doing it.

423. My view, and the Executive has expressed the same view, is that probably the easiest answer is to go for rent as the only option. That has its drawbacks. Rent is more expensive than an interest only mortgage. One of the criticisms I have of the interim scheme which was brought in was to provide a limit which has an identity of value in it between interest only mortgage and rent is frankly absurd to anyone who actually looks at market conditions and the relative costs. You are not comparing like with like. The

sort of property you can have for £12,500 worth of interest only mortgage is vastly superior to what you can rent at that level in central London, setting aside the fact that in the case of mortgage payments you can also pay additionally for some of the things which are subsumed within rent like water rates, etc. So, there is no equity between the two and I hope your Committee, if it feels it is appropriate to continue mortgage repayments and see rents as equal options, will look at the actual market conditions to set appropriate limits for each which are equitable.

424. To come back to where I started, it does seem that rent only is a very clear and sensible option. My view is that it should be effectively a London accommodation provision. In other words that it should be assumed that any Member of Parliament who represents a particular constituency will so arrange their affairs as to have a property either in their constituency or nearby for which the State is not providing a subsidy. And that the necessary venture would be for a second home which is in London if that person does not have a London property, then they should be able to rent in order to make good that provision in order for them to do their job. The only other caveat I would say is if we are moving the goalposts in these things - and I am sure we will - we need to take into account that people cannot make handbrake turns on these things. They are committed to either rental agreements or mortgage arrangements which you cannot dissolve at the drop of a hat and not every Member of Parliament is of independent means and can walk away from a commitment that they have entered into.

425. SIR CHRISTOPHER KELLY: Just so I am clear about what you are saying, so even though rent could be more expensive than supporting mortgage interest, you think that the complexities and perception of the situation which could arise in support of mortgage interest outweigh arguments about cost to the taxpayer?

426. DAVID HEATH: I think they do. I would add to that that the other advantage is that if the only thing that is available is rent to a limit which is determined according to what is appropriate for central London, plus direct other costs - council tax, utilities perhaps - if that is all that is allowed then I am not sure that you will not make a saving to the taxpayer overall in any case because it cuts out all the swathe of other possible allowances; the vast majority of the public outrage in terms of acquisition of furniture; additional services; all the things which people quite rightly have been upset about.

427. The alternative is to provide accommodation but I think there are difficulties to that as well. I personally would have nothing against provided accommodation but I do not think it is the easiest way of managing it as a large private rented sector in London, there is no difficulty. Can I add one more refinement which is that I actually see no reason why Members of Parliament should enter into separate individual tenancy agreements and then reclaim the money from the authorities. I see that it would be quite possible to operate a system analogous to the way we employ staff which is that we select staff but they are then paid directly by the House of Commons authorities under contract. I can see no reason why a Member of Parliament

should not be asked when they join perhaps to find appropriate accommodation within a price range and for the rental agreement then to be directly between the house of the landlord and that no money should come anywhere near the pockets of a Member of Parliament.

428. SIR CHRISTOPHER KELLY: Why not take that one step further and suggest that if rent is agreed that finding the accommodation could also be contracted out to a private rental agency.
429. DAVID HEATH: It could be done. I would have no objection to that. I just think it is unnecessary to do that because I see no reason why Members of Parliament should not be given the opportunity of finding something that suits their particular needs provided it is within a price range and provided the tenancy agreement is passed with the authorities that are administering it.
430. SIR CHRISTOPHER KELLY: But you would remove from an MP the discretion to find a solution which best met their family circumstances to the extent of saying the second home should always be in London; by application that the main home should always be in the constituency?
431. DAVID HEATH: That is my personal view. It removes this issue of the flipping of principal home. I think it is clearly understood by everyone that if they wish to become a Member of Parliament for a constituency outside London it is their responsibility to locate themselves and their families in somewhere which is appropriate to that constituency. What would appear quite clearly is the additional cost of staying in proximity to Parliament during the however many days a year that that is required. I think there is a huge advantage in terms of simplicity of that arrangement. To me it seems more sensible and transparent because I think that is what most people actually think we have an allowance to do is to go up and represent them in Parliament rather than to provide us with a house in the constituency.
432. SIR CHRISTOPHER KELLY: The final possibility under this was the creation of what was effectively an overnight allowance. Do you have views on that?
433. DAVID HEATH: I am strongly against it. It has no merits in terms of transparency. It has no merits in terms of providing a link between expenditure and the money that is provided. What it effectively does is sweep everything under the carpet in the same way it would if the whole thing was to be subsumed within an enhanced salary. It basically rewards those who already have means so that they do not have to expend that money and it would harm the interests of those who are not of independent means who seek to newly enter the House and I can see very little merit in it. I also think it has a potentially perverse effect in the way people perform their duties in the House and the last thing I want is people doing what has already been evidenced in the European Parliament and to some extent the House of Lords: people just turning up, signing on and going home. That cannot be something that should commend itself

434. SIR DEREK MORRIS: Could I ask one supplemental? If the second housing allowance is restricted to rental, surely there is no issue of flipping. There is no advantage to flipping because there is no property stake or ability to refurbish so is it not the case that if one is looking only at rental there would be no problem about allowing an MP to choose to have their first home in London and their second home in the constituency and indeed typically there would be a saving to the taxpayer because one might have lower rental rates for outside London?
435. DAVID HEATH: I am not sure that is correct, Sir Derek, because, yes, you are right there would be no flipping but it would still be open for people to buy the property in one place and then rent in the other and then switch that at a later date so that they were effectively getting a further property in London at the expense of the taxpayer. I think it is still open to abuse and that is why I fear its simplicity. I accept entirely what you say; that in the first instance it removes the incentive to maximise your capital receipt by moving the allowance over. But I can still see that it is possible by acquiring eventually properties both in your constituency and in London effectively at the expense of the taxpayer although not directly at the expense of the taxpayer. That is not something I wish to encourage.
436. DR ELIZABETH VALLANCE: Can I quickly pursue your suggestion about constituency first home? That suggests to me a notion of the main MP's job being constituency-based rather than parliamentary-based. I ask this because we have asked it of some of our other witnesses and we have had a complete split between those who see the job as largely being constituency-based and then going to Parliament in order to support that job, and other side which is the job is largely a legislative job and you go to the constituency to explain what you have been doing, as it were, in Parliament. You would see it on the constituency side, would you?
437. DAVID HEATH: I think I would. You are absolutely right. This is a philosophical divide as to whether you are representing your constituency in Parliament or Parliament in your constituency.
438. DR ELIZABETH VALLANCE: And of course it is important for us because from that flows a lot of things about what makes sense in terms of allowances and certainly the second home issue.
439. DAVID HEATH: Yes, it does. As you quite correctly say there are differences of opinion. I think it is a slightly old-fashioned view I have to say to think that one is primarily a Member of Parliament and you visit your constituency every now and again to check that the place is still there. I do not think that that relates to the work of a modern Member of Parliament. Certainly I know which side of the philosophical divide I sit on. I see very much my job is to listen to what my constituents have to say, to assist them, and then take those messages to London.
440. DR ELIZABETH VALLANCE: That was really all I wanted to know so thank you very much for that. Can I move on to the independent regulator that

suggested now the Government is proposing this Parliamentary Standards --

441. DAVID HEATH: Could I just go back one step before you move on, if I may? Just to say I understand that the senior salaries review body did quite a lot of work on the actual work of a Member of Parliament recently in order to support their recommendations. I just hope that the Committee might have sight of that because I think it might be very helpful.
442. DR ELIZABETH VALLANCE: Thank you. That is helpful. If I can move to the Parliamentary Standards Authority, what would your view be about those who claim we really do not need another body set above everything else? What is at issue here is personal values - it is about personal standards and behaviour - and that really these can only be addressed through a cultural change. And if you set a body above all this, you may inhibit that culture change because people in the House may assume that it is all going to be dealt with by the Parliamentary Standards Authority. In other words by a body outside Parliament itself.
443. DAVID HEATH: I think the last time I appeared before this Committee it was one of the questions being considered then in the context of the Standards and Privileges Committee. My view then was that we had reached the end of the road but not quite. That there was still a possibility of Parliamentary self-regulation in these matters. Sadly, I do not think the lessons were learnt. I do not think we did do the things that we should have done over the last two or three years and because that did not happen I think that Parliament has probably forfeited the right to self-regulation, sadly, because I would much prefer to think of the House as being able to regulate itself effectively. I am afraid I do not have the confidence that that is the case, and if I do not have the confidence, then I am absolutely sure that members of the public do not have confidence. So, I think it is inevitable that we do have to have a body which is able to stand apart and look at these things dispassionately and act as a form of regulation.
444. I think there is a difficulty in what is being suggested at the moment. I do not think it has been entirely thought through exactly how this body will work. It seems to be not only advising and instigating reform of the process but also then administering it and acting as policeman and court. I am not sure that one body can perform all those functions comfortably.
445. DR ELIZABETH VALLANCE: Is your worry that this is just too wide a remit? Too many issues for the body to cope with? Or is it that you think that these different requirements may be in conflict with each other?
446. DAVID HEATH: I think both actually. There is a very real worry that it will not be able to separate out internally those different functions, although I want a body which can apply both independence and rigour to the process. The extent to which it becomes the final arbiter of where somebody has made an error of judgement and the consequences of that, which I think ought to be, again, more rigorous than they have been to date. It surprises me frankly that on prima facie evidence that there has not been consideration of charges

being placed for false accounting at the very least or misconduct in public office. I mean, there certainly have been gross breaches.

447. But having said all that, whether one body can oversee that entire sequence is, I think, doubtful. I would be very interested to see what your Committee's views are on that because I think it should have an influence on the way we structure this body.

448. DR ELIZABETH VALLANCE: So, generally you would be in favour of having an independent body and taking all of this out of Parliament's remit in effect; both the setting of salary, remuneration and of expenses and allowances, but you are still slightly dubious about the way in which this is going to work out in practice?

449. DAVID HEATH: I think that is fair.

450. DR ELIZABETH VALLANCE: Can I ask you then the Government has said that it will consult widely about the makeup of this body and how it is going to operate, but they have also said, of course, that they are going to produce legislation within the next few weeks. Do you feel that there is going to be enough time for consultation to do that and to get legislation up and running that has any depth of detail?

451. DAVID HEATH: I have my doubts. There is clearly an urgency and I do not dispute that but the urgency was long before the Daily Telegraph got hold of any information. The urgency has been there for quite some time and that is one of the principal differences I have with the current Government is that they did not recognise that urgency. Having said that we now have something that goes beyond urgency and we have initiatives coming out in some sort of Dutch auction for the ability to look more hair-shirted than the other chap over the last few months. That concerns me because I am not sure that it is based on sound information or analysis of the consequences.

452. Although Jack Straw, who is responsible for this particular area, has been consulting with other parties - I am sorry, I have to inject an element of party politics at this point which I have been trying to avoid - it is notable that the Prime Minister has a tendency to announce his conclusions and then demand consensus rather than consulting properly in advance and that has been the history over the last few weeks of a lot of these proposals. I think had we had the opportunity to talk first and then announce later, and had the benefit of external advice, some of the proposals here would be better structured than they are.

453. DR ELIZABETH VALLANCE: But as you have said it is obviously important not to be seen to be hesitating at this stage. Let me put you on the spot and say how do you think the PSA should work if it were set up just on basic things like how should it be appointed; to whom should it be accountable?

454. DAVID HEATH: I wish you had not asked me that question because I have not actually come to a clear view as to how it should be because I think it is very difficult. I am not sure, for instance, if we are going to have something which effectively acts as a quasi judicial function at the end of the day, whether that opens up questions of natural justice in terms of appeal or judicial review of the process. There are all sorts of very difficult issues here and I am not going to pretend I have got the answers to them. I just know that they are questions which we have to address.

455. DR ELIZABETH VALLANCE: Thank you very much.

456. DR BRIAN WOODS-SCAWEN: I would like to cover outside interests but before I do that could I ask you something else? Harriet Harman said this morning that the core of this is not a matter of culture; it is essentially clear and simple and transparent rules rigorously applied. How would you respond to that?

457. DAVID HEATH: I think I would go back to the conversation earlier with Sir Christopher. Perhaps I am just stupid but I actually read what I was signing and thought that the “wholly, explicitly and necessarily” applied to me. I do not know how you can be clearer than that. I think anyone who has had any background in the outside world would clearly understand what those words mean. They may try and bend the rules but there does come a point at which your personal integrity does come into it. However much there is a degree of ambiguity, and there were degrees of ambiguity in the way the allowances structure was put in place, and almost intentional ambiguity. In some cases there is anecdotal evidence that the Fees Office on occasion encouraged people to, shall we say, bend the rules in order to maximise their claims.

458. Nevertheless, you can have as clearer rules as you like. At the end of the day somebody has to fill in their form with a degree of integrity, and the person who is checking that form has to have the rigour to reject that which is not clearly substantiated. I do not think either of those was in place.

459. DR BRIAN WOODS-SCAWEN: Okay. Turning to outside interests which covers a very wide range of areas from the usual suspects of barristers, investment bankers to no doubt journalism and indeed one of your party’s distinguished predecessors advertising dog food. So, we must not assume that it is limited. Do you understand the concerns about the extent to which members might earn income from other roles both in relation to income sources in relation to possible conflicts, and in relation to distraction from their main job, which is to represent their constituents?

460. DAVID HEATH: I very much understand this and again I am going to come across as a total puritan unfortunately. It is not my intention but again I have always made it plain the fact that it was a pledge I made to my constituents in the very first election in which I was returned to the House that I would not have other jobs outside the House because I see it as a full-time job. I frankly have never understood how people can do the job adequately

and find time for other interests. I hear the arguments which are often adduced that this somehow connects one with the outside world; that you keep abreast of your profession or whatever. I hear those arguments but at the same time I cannot reconcile them with the very full-time job which is or should be being a representative Member of Parliament nowadays.

461. I think there are a lot of arguments in favour of MPs coming into the House having had some experience outside the very narrow confines of politics but not, I am afraid, as a competing interest whilst they are members of the House.

462. DR BRIAN WOODS-SCAWEN: But just to unpick the argument a bit more, the counter argument that public policy is better informed and better shaped and better decisions are made if a very wide and diverse range of experiences are brought to bear on those considerations.

463. DAVID HEATH: I have to say the proponents of that argument tend to be very, very partial as to those areas of work which are considered to be of huge benefit to the House of Commons and those which are not. Nobody suggests that it would be hugely beneficial if one of our number were still working every morning as a dustman in order to make policy on waste disposal. It is the lawyers, it is the directors in commerce and industry, who make these arguments and I think you have to make a choice. As I say, I take a rather puritanical view that it should be a full-time job. I accept that there are others who take a different view and what I do think is that the people who are electors should understand where our commitments are and they should have the choice.

464. DR BRIAN WOODS-SCAWEN: Do you take the view that, given that is the position that you take, then as a matter of integrity you stand up for it or it should be imposed on others who take a different view and whose constituents are aware of that and are prepared to endorse it.

465. DAVID HEATH: I think I take the view that transparency again is the issue, that if people do take the view that their work as an MP is enhanced by their other employment then they should make that plain and they should leave it to their voters to decide whether that actually enables them to the job that they are asked to do on behalf of their constituency to the best of their ability.

466. DR BRIAN WOODS-SCAWEN: Can I just turn to one issue which has been referred to us by the Prime Minister? There are members from Northern Ireland who have chosen as a matter of principle not to take up their seats, but have access to the full scope of allowances. What is your view on the extent to which members who cannot play a full part in the life of Parliament because they choose not to take up their seats should be supported by the full scope of allowances?

467. DAVID HEATH: Can I emphasise I do not speak for my party on this? Northern Ireland politics is difficult enough without other members making up

policy as they go along. I opposed the change in our rules which allowed those Northern Irish members who have not taken their seats to avail themselves of allowances. I still take that view. I can see no justification for allowances, particularly allowances in London, being made available to people who effectively do not the job of Member of Parliament.

468. I am prepared to accept that there is constituency work, the sort of case where issues which we do perform, which they do in Northern Ireland and there may be a case for constituency-based allowances in order to provide for staff for them to do that job.

469. At the end of the day, I think members who are elected to the House should take up their positions in the House.

470. I do understand their issue about the oath of allegiance and I think that a sensible grown-up legislature ought to be able to find a way round that particular problem. If, at the end of the day, they do not wish to take their seats then they should not avail themselves of the benefits.

471. DR BRIAN WOODS-SCAWEN: It has been suggested to us that while we could debate this at the level of policy, principle and philosophy, that given that this is Northern Ireland, we should be prepared to be utterly pragmatic about it.

472. DAVID HEATH: This is the argument that always applies and normally it is said, "We have done a deal" or at least it is inferred that a deal has been done and therefore we should not rock the boat because it might have consequences which we do not entirely understand.

473. I think at some stage somebody has to say, "No, this is not right". I was very surprised, I have to say, when the Prime Minister came forward with his proposals for the overnight allowance, that he was proposing to exempt Northern Ireland members from that particular provision which seemed to me quite extraordinary, that those who attend the House the least should be the people who are provided with an accommodation allowance for flats whereas those who are there every working day of the parliamentary year should be on the basis of an overnight allowance. It seemed a rather odd way of looking at things.

474. SIR CHRISTOPHER KELLY: Just to be sure I understood you correctly was the implication of what you were saying that you thought that an alternative to taking the oath of allegiance should be found?

475. DAVID HEATH: Again, please do not let me make up party policy in any way, but I think there is an argument if it is impossible because one is a devout Republican to swear an oath of allegiance to the Crown rather than to the interests of the people in the United Kingdom then there ought to be a way of arranging things so that those people can take their seats. I think it applies to very few and it is certainly not a plea for there to be a change in the overall arrangements. I think we have to accept the fact that if one is a strong

Republican then one would not in all conscience be able to swear an oath of allegiance to a monarch one did not recognise. I think freedom of conscience, freedom of political thought suggests that therefore there ought to be an alternative instruction which is available for those people.

476. LLOYD CLARKE: Could I firstly touch briefly on the Resettlement Grant, please? In one respect your submission is very clear, that you would adopt the SSRB position which is that MPs who resign or retire do not receive the Resettlement Grant.
477. DAVID HEATH: That is not my submission, with respect. I think that is a submission of Nick Clegg.
478. LLOYD CLARKE: Sorry?
479. DAVID HEATH: You are reading from the submission from Nick Clegg in his own right, but obviously as a member of my party.
480. SIR CHRISTOPHER KELLY: Are you saying that submission is from Nick Clegg as Nick Clegg, not as leader of the Liberal Party?
481. DAVID HEATH: It is, but I am sure he speaks for the party as a whole. I am just making a distinction and it is right that I should do so.
482. LLOYD CLARKE: Could I ask you what your view is then, please?
483. DAVID HEATH: I am very clear that Resettlement Grants should not be available to people who have fallen short of the standards of behaviour that we expect and that there should be provision which enables those who are in that position not to receive that money.
484. I have to say I can see arguments in favour of Resettlement Grants for those who have led blameless lives and careers as Members of Parliament.
485. The reasons it was brought in were twofold. One is because of the very considerable disruption to career patterns that taking up membership of the House provides and the very clear difficulties that many members find on leaving the House in finding alternative employment; that is well evidenced. The second was in response to what was happening before it was brought in, which is that a Member who wished to leave the House, but was worried about the financial consequences, would simply not contest their own seat but go and find an unwinnable seat and have a wholly artificial contest in order to lose and therefore avail themselves of the Resettlement Grant for a defeated candidate.
486. I accept entirely that there are many people in this country who if they voluntarily left their jobs would not get a Resettlement Grant and I think there are arguments that say why should MPs be any different to any of those people? If you choose to stand down, if you choose to find an alternative area

of employment, then why should you get a lump sum?

487. LLOYD CLARKE: That is the key debate, is it not, because in real terms if the Resettlement Grant is a severance pay then the only people who it could be argued have that severance is a sitting MP who contests the same seat at the general election and is not reselected. Only in those circumstances can you say that this is severance at exceptionally short notice.
488. DAVID HEATH: There are others, if I put it to you, where there have been boundary changes, for instance where two seats have combined into one winnable seat.
489. LLOYD CLARKE: Notice is given of that.
490. DAVID HEATH: It can happen. I have just had boundary changes to my constituency, not such as to change the nature of my seat, but they have happened now. We could have had a general election in the last few weeks. It might have been literally weeks before a general election that the Boundary Commission change comes into effect.
491. LLOYD CLARKE: So there could be argument for having conditions around severance pay which there are and which we understand in the normal sense of the word; statutory redundancy. There could be an argument for having that and abiding to that which the boundary commission changes might apply.
492. DAVID HEATH: It would be impossible to consider that as analogous to constructive dismissal or something along those lines. Yes, I am not an employment lawyer, but I could see that there would be an analogous construction that you could devise.
493. I would just say one thing and I hope this is not going to sound like a special pleading for MPs, but it is something I have included in my submission. I think what we must avoid if at all possible are the sort of handbrake turns which leave people at a very considerable disadvantage in the short term. If you can make your arrangements in an appropriate way then that is fair and everybody knows. But we have an implied contract at the moment and I would suggest to you that if there are to be changes in severance pay, for instance, then the Resettlement Grant as it is called, then it is appropriate for that to be done with a reasonable level of notice so people are not put in an impossible financial position because they made their plans according to what they thought was the situation.
494. LLOYD CLARKE: That is where there is a conflict now then because I was going to say it is easy if the position is known, but the ambiguity is that which you in your opening submission asked us to temper our revolutionary zeal, with that which is the submission from Nick Clegg who asks us to do something about it, to stop the golden good-byes and to stop them now before the next general election. I was going to ask you what you might propose that

we can do to stop that.

495. DAVID HEATH: As I say, I think I would differentiate between people who are leaving because effectively they have been found out and those who are leaving because it is part of their career progression that they have determined.

496. LLOYD CLARKE: Who should give us the list of who goes where?

497. DAVID HEATH: That is where we have to have a better regulatory system, a better independent assessment. It comes into the same category as what we have been arguing for in terms of recall. There needs to be a trigger for recall arrangements which enable the people in a constituency to have a process of recall. Clearly you need an initial trigger and I think it has to come probably from the independent body which is being set up in terms of an investigation to say, "This is not good enough".

498. LLOYD CLARKE: Could I quickly move us to the Communications Allowance and because of what you have said you leave me in some slight difficulty perhaps in understanding your position. Your opening statement and Nick Clegg's statement to us is silent on it except that in April 2009, Nick Clegg did write to us and suggested that the proposals for reform for the Communications Allowance principally should be around tighter auditing. Can I start off on the Communications Allowance and say what would be your justification for retaining it?

499. DAVID HEATH: First of all, I argued against it and voted against it when it was set up which may be helpful. Let me be clear, I think that it is important that Members of Parliament communicate effectively with their constituents and that can take a number of forms.

500. It is relatively common now, something which I have done in the 12 years that I have been an MP, to produce an annual report to my electors which set out the main areas that I have been working in during the year, to give them information as to how they can contact me. I now include the details of my expenses for the year so they have no doubt about what I have claimed and what for. I think it is perfectly reasonable for a Member of Parliament to make that communication, in fact beneficial, so that the constituents have a very clear idea of what the Member of Parliament has been doing on their behalf.

501. There are also issues on which it is important that we communicate directly with our electorate, to make them aware of something that is happening within the constituency or to seek their views on something that is happening within the constituency.

502. My argument with the Communications Allowance was simply that to make that separate and to make it fairly generous in my view encouraged a growth in that sort of activity which I do not think was something to be encouraged. I think the reason it was brought in was because there were

some members who were spending an awful lot of money on post-paid envelopes and House of Commons stationery in order to write letters to their constituents using existing expense arrangements. One chap we estimated was writing 300 letters on every single working day of the year - 300 per day to his constituents using the existing arrangements. That, many people felt, was not consistent with proper usage of existing allowances.

503. So what do we need to do? As I say, I am not wedded to the idea of a separate Communications Allowance. I think this is talking about something within the general purview of what are allowable costs. What is absolutely essential is that it is not used for party political purposes. I think there was a laxity on that. I think it has tightened up; officers are better now at telling people, "No, you cannot do that", but certainly there was a laxity.
504. There is a concern by opposing candidates that it is used principally to bolster incumbents and as a very significant bolster to incumbents. So I think the way it is used has to be very rigorously policed, the rules under which material is produced.
505. There are things which I would be very loath to lose. I mentioned the annual report. I guess I can live without that, but I mentioned I have 130 villagers in my constituency. I do surgeries in nine different venues each month. I use the Communications Allowance to print the little A5 posters which go onto parish notice boards around my constituency to tell people how they can come to my surgery, and if they want to how they can contact me. That is very appropriate use of tax-payers' money in order to provide a service
506. LLOYD CLARKE: What budget do you use for that purpose?
507. DAVID HEATH: I have to use the communications budget. I have no choice. If I make a claim for it under the office provision then it is transferred. Those are the rules.
508. LLOYD CLARKE: Presumably it is the same in respect of your annual report that you are using the communication budget?
509. DAVID HEATH: Yes, everything that comes within that broad category, whether it is annual report, whether it is advertisement of surgeries, whether it is advertisements in newspapers for surgeries or whatever, that automatically comes within that category heading. Therefore, if we abolish the Communications Allowance we have to change the definitions for the Office Allowance or we do not do something which I think is of value to our constituents.
510. DAME DENISE PLATT: I want to turn to the issue of employing family members. I think you are quite right in your submission. You say, "We wish to consider this" and we are considering it. You say there are strong arguments both ways, but if the practice is continued it must be on the basis of transparency and evidence of a clear aptitude for and performance of the task in hand. Does that "but" mean that you personally think it should not

continue?

511. DAVID HEATH: No, it does not. Personally, I think the balance is in favour of allowing family members to be employed provided they are doing the job. I acknowledge, and this is the “but”, that there is a body of public opinion which sees this as somehow wrong and something to be deplored. I think that is the balance that the Committee needs to determine. First of all, are the advantages in terms of a clear cut-off between the Member of Parliament as an employer and the employment of family members and the public perception?
512. Does that outweigh the very clear advantages in some cases of spouses, for instance, being involved in the same way that they would be involved in a lot of small businesses or professional relationships where it is certainly not uncommon for the wife of a single-handed GP, for instance, to be the receptionist or the husband of a single-handed GP to be a receptionist or whatever, to assist in that way because of the close relationship?
513. DAME DENISE PLATT: As you can imagine we have had a lot of evidence from the public on the whole variety of issues that we are discussing. On this we have a volume, probably a majority. No relation should be employed. No employment of relatives; secretaries and other assistants should be provided by Parliament. Constituency staff should be hired by the House and jobs are properly advertised, paid by Westminster, overheads on receipt of invoices. End the employment of family members; they should be centrally employed, central salary rises; proper and orthodox selection.
514. In your opening statement you referred to that use of the word “nationalise”. It is not the first time today we have heard that word. The public would see that as a fair and open system around staff. How would you convince the public that family members should continue to be employed?
515. DAVID HEATH: I think the public perception, first of all, is based on the rather unfortunate episodes which we are aware of where there is pretty clear evidence of family members being “employed” for jobs which they were not actually doing. That, of course, has coloured public opinion on this because it is considered to be a gravy train; it is considered to be an abuse. Of course, I understand that and I think if I were a member of the public I would share the same view.
516. I think if you look at the work that is done by a lot of MPs with their spouses, principally spouses (I think it is much more difficult to argue for children or other family members to be employed in this capacity), there is a very quite strong argument that they are doing a good job. If they were looked at carefully it would be seen that they are very often over-qualified for the job that they are doing. They are putting in a lot of hours in addition to that for which they are contracted and the public purse is getting an extremely good deal.

517. Having said all that, it is not essential and if the Committee comes to the view that it is wrong then I know a lot of colleagues will say that is a shame because it has worked very well, but so be it.
518. Where I think we need to be very careful is in going further than that and saying that the Parliament, or some other body, should determine exactly how we structure parliamentary offices, how to split the allowance between a constituency office and the Westminster office and what specific roles should play within those offices. My experience is that is hugely variable according to the nature of the constituency and the nature of the MP. Some people take on front bench roles, for instance, within their parties. They do not have direct support for that from anywhere. It is not a special pleading. Other than the leader of the opposition and the opposition Chief Whip and Deputy Chief Whip, no Member of Parliament who sits on the front bench of the opposition parties gets any additional pay or allowances for doing the job that they are asked to do of preparing for legislation and working their way through it, for instance.
519. So getting the balance is a matter which is quite difficult in some cases within the resources that are allocated. I do not think it would be very easy for somebody outside of that Member of Parliament's office to determine how that balance is best achieved.
520. DAME DENISE PLATT: So the analogy that many of your colleagues have used, that being an MP, relating to their constituency as being like a family business or a small business and it should be tailored, is that an analogy that you think resonates?
521. DAVID HEATH: I think it does to a point. The danger is that sounds desperately cosy.
522. DAME DENISE PLATT: And it is public money.
523. DAVID HEATH: It is public money and that is why I stress the importance of absolutely transparent arrangements, of contracts which are explicit, the ability to audit those arrangements at any time to make sure that people are doing the job for which they are contracted and doing that in full.
524. I think generally it is helpful, if an immediate family member is employed, for that person to be within a management structure in which they are under the management of a line manager who can make sure they are doing the job effectively and is willing to produce evidence to that effect if challenged.
525. Again, I think it is possible to argue the case either way and I think it is largely a matter of judgment in terms of public perception and the effectiveness of an MP in their constituency as to how you reach that conclusion.

526. May I just at this point, because I think it is important to other aspects of family life, say that I think the Committee could do a great deal of good in its final conclusions (and this is only as a postscript to them, not as a principal point) if we were to make clear that it is not unreasonable for a Member of Parliament who is spending four days of the week away from their wife and family to occasionally have their wife and family visit them in London, and that that is consistent with maintaining a level of family life which I hope we would want our representatives to have? There seems to be a theology that has developed in the Daily Telegraph if nowhere else that to have your wife stay in your flat is a criminal offence and were you to have your children as well that is virtually a hanging offence.

527. Provided there are no additional costs to the Exchequer, I have to say I think it is something to be welcomed, that occasionally an immediate family or dependents might share ones life in London as well as in the constituency. The Committee might make that clear because there are a lot of people who are very concerned about that at the moment and feel that they are really not sure quite what they are to make of some of the allegations that have been put to them.

528. DAME DENISE PLATT: A final one from me which is about office accommodation. A number of your colleagues will have contracts and will lease accommodation which is in a party constituency office which could be seen as a way of public money subsidising the acquisition of an asset for party purposes or going into the coffers of a political party. Do you think such arrangements should be banned?

529. DAVID HEATH: You are absolutely right. It is a very common practice. Indeed, my office is rented from my constituency association - the part which I use, not the whole of it. Those offices were there before I was a Member of Parliament and were used for the same purposes.

530. There is a danger of abuse and the abuse is clear. If an inflated rental is used, for instance, and I think again this is an area where the rules were lax. Happily they have tightened up. We now have to provide not only a clear rental agreement, but we also have to have a surveyor's report which certifies that the rent is a fair rent for the property that is being used, or for the part of the property that is being used. The House authority will not pay more than the fair rent for that area.

531. DAME DENISE PLATT: Is that sufficient?

532. DAVID HEATH: It certainly goes a long way. Again, it is an area where very often the tax-payer gets a good deal simply because to go onto the open market to acquire a commercial property would often involve much higher rent than the rather ramshackle premises that are regularly used by political parties.

533. I do not see that there is an abuse there unless, as I say, the rent is inflated in order to provide a benefit to the local party because quite clearly the

premises could be rented to somebody else for the same amount. So there is no obvious abuse there.

534. I think very often it provides for consistency for constituents who know where they can find the Member of Parliament in question and because they are used to using the premises they are used to knowing where the offices are.
535. Again, if the Committee were to take a different view then it would mean that we would have to disrupt our arrangements, but it would not be the end of the world. I could rent an alternative office; it would probably cost a little more. It might be a little less convenient, but it would not make any material difference. It is just a question of whether there is a real abuse, a real mischief, to which you are providing a remedy. I am not sure there is.
536. DAVID PRINCE: Can I just follow up a point you made in your opening submission about audit? You are quite critical of what has gone before. Maybe that is part of a culture that you see as changing, but you are looking to us to recommend a system based on maximum transparency and external audit. Can you give me a sense of what you are looking for there? Would you expect the audit to go into all these family arrangements and to constituency office rentals, to look at all the details, and would you expect offences to be published online as they are made?
537. DAVID HEATH: I will take your latter point first. Yes, I see no reason why they should not be. One of the great frustrations that many members of Parliament have had over recent weeks is that while the Daily Telegraph has been publishing their version of our accounts we have been constrained in publishing them ourselves simple because we do not have them. They are the property of the House of Commons authority and are still being redacted under the rules that they apply in terms of data protection rather than anything we would wish to see. Certainly, in my terms of publication I think at least quarterly publication of all the details is perfectly appropriate and I see no problem with that.
538. In terms of audit, this is really where Parliament I think made a major blunder when looking at the package of reforms that was devised last year. Some of us have been arguing for a long time that we need external audit and we have nothing to fear from an external audit. Last year we had that as a proposal and it was rejected. The proposal was amended so it was a sometime never sort of audit arrangement which I do not think had any real integrity.
539. I think it is important that absolutely anything that we claim for which involves public money and the arrangements which underpin it, including the contractual arrangements, are open to external scrutiny whenever and wherever it seems appropriate. That seems to me the right way of approaching the issue. Internal audit has proved ineffectual and therefore external audit is necessary.

540. DAVID PRINCE: With reporting in public on the findings?
541. DAVID HEATH: Yes. I am in danger of getting into semantic difficulties here, but if somebody has added up a figure incorrectly and it could be corrected I would not expect that to be major issue. It happens and it happens, I hope, in both directions plus or minus, if it happens at all. If clearly something is going awry, a claim has been inappropriate, then that should be dealt with openly and transparently and it will act as the most effective deterrent for a lackadaisical approach to filling in forms that I can imagine.
542. I would like to think that is already happening as a result of the disclosures over the last few months. People are very foolish if they are not checking very carefully what they are claiming for.
543. SIR CHRISTOPHER KELLY: Is there anything else you wanted to mention to us that we have not had the chance to explore?
544. DAVID HEATH: I think that has covered the ground pretty well, but in the same way you said to Alan Duncan if there are any further questions which I can help on then I would be delighted to respond to you in writing.
545. If I could just close by saying I really do not envy you the job that you have here. It is an extraordinarily large remit and a very difficult job. If you can come up with the solutions I think we should be extremely grateful to you.
546. SIR CHRISTOPHER KELLY: Thank you very much. Thank you for your time this afternoon.

Tuesday 16th June 2009 Public Hearing

Opening Statements

Opening Statement by the Rt Hon Harriet Harman MP

First may I start by saying that we are grateful to the Committee for undertaking this inquiry, and for recognising the importance of the issue in its timely but considered approach. It is important to Parliament, and equally important to the public, that action is taken. And it is vital that a greater degree of independence is brought to consideration of the issue of Members' allowances, and in future to their operation and policing.

The Prime Minister has said that "there is no more pressing task for (this) Parliament than to respond immediately to this public demand"...for higher standards of financial conduct from all people in public life and an end to any abuses of the past.

A process has already begun to address abuses of the past system. An independently led panel will scrutinise all claims over the past four years, leading to repayment and discipline where necessary. The House will also publish the past four years' receipts shortly. These are both urgent and important tasks.

The Government will also bring forward new legislation before the summer adjournment on the creation of a new Parliamentary Standards Authority, with delegated power to regulate the system of allowances. Second, the House will be asked to agree a new statutory code of conduct for all MPs, clarifying their role in relation to their constituents and Parliament. There has been constructive cross-party discussion on these issues.

Many fundamental and important changes to the allowance system have been made over the past few years. The major changes in the allowance system have been set out in the written evidence we have submitted to the Committee. Transparency has increased, for example by ensuring that Members are required to provide receipts or other documentary evidence for all expenditure, however small the sum. In April a new Green Book was introduced together with an independent, full-scope audit and assurance by the National Audit Office. I am sure that if these measures had been in place earlier many of the stories we have all read about in the newspapers would not have happened.

As Leader, I am aware of the many views held. There are 656 Members and just as many views, as well 656 ways of doing the job of a Member of Parliament.

The evidence the Government has submitted to the Committee is based on the principles by which we believe the allowances system should be governed. We have not sought to suggest which allowances should or should not exist, or how they operate. It is important that the Committee is able to draw its own conclusions on these issues. However, it is important that the allowance system fulfils its aims. That is why we have asked the Committee to consider the principles set out in our evidence in reaching its decisions.

There needs to be confidence in the Parliamentary system and this will not be restored until the system is above reproach, is transparent, accountable and reduces the cost to the taxpayer. We look forward to the outcome of the inquiry.

Opening Statement by Alan Duncan MP

The remit of your committee in the current inquiry is the system of MPs' expenses and allowances.

I appreciate that since you started your work, a great deal has happened. We have had resolutions in the House to limit the use of the second homes allowance; to study the central employment of staff; to increase transparency, and to provide for the greater scrutiny of outside earnings.

Political parties themselves have taken steps to apply more rigorous rules to themselves, and now we also have a proposal for the creation of the Parliamentary Standards Authority.

I have formally submitted a paper from the leadership of the Conservative Party and David Cameron has imposed firm discipline on his MPs.

Perhaps I might briefly summarise the main elements of our submission to your inquiry.

David has consistently made it clear that any reform of MPs' allowances needs to adhere to three principles: it should cut the overall cost of politics; it should ensure that there is full transparency; and it must rebuild the trust and confidence of the public.

In this spirit, the Conservative Party has already established a new regime for itself which it is implementing already.

Looking to the future, the most important principle for us is that MPs should no longer determine their own pay and allowances. We believe very strongly that MPs' remuneration should be examined and determined by an outside body. That is the only way to rebuild trust between Parliament and the people we are elected to serve.

On allowances, the main points are that David Cameron has said that:

- The communications allowance should be abolished;
- The final salary pension should be closed to new entrants;
- The second homes allowance should be set at a lower level and should only be used for rental agreements, utilities, council tax and mortgage interest subject to a cap;
- All family members employed by an MP should be publicly registered
- All claims should be promptly published and available online.

As we've discussed, as Shadow Leader of the House I have been asked by MPs and other interested parties to represent their view as well in the hope that we can

explore with you the various pros and cons of various options, and I quite understand you may wish to do that.

It may be helpful to cover some of the basic principles of what our parliament should be, and what effectively the job description is.

It may help to discuss what an interest is, and what therefore a conflict of interest is, and hence whether outside earnings are a good or bad thing. Also should all MPs be paid the same?

It might be useful to analyse the origins and evolution of the second home allowance, and its relationship to tax, London MPs and parliamentary sitting hours.

I sense it might also be useful to try to understand what bearing any Parliamentary Standards Authority might have on your findings.

Opening Statement by David Heath MP

I am most grateful for the opportunity to give oral evidence to the committee. Among the 646 members of the House of Commons there are probably at least that number of different opinions as to how and to what extent the system of MP's expenses should be reformed, so I cannot claim to speak for every single one of my colleagues in what I say. However, I hope the opinions that I set out today will give an informed view of the direction of thinking of those within the Liberal Democrats, and are consistent with what I have been saying from the front bench in my present capacity over a period of years.

The committee has correctly identified the urgent need for reform and the need to establish both external and independent advice on these matters if the integrity of the system and the reputation of the house is to be restored. My view, often reiterated, is that the system must provide what is necessary for a member of parliament to carry out his or her duties properly and to the satisfaction of constituents, not a penny more nor a penny less. The system should not be seen as a less overt way of topping up the salary system, but neither should it create the circumstances in which only those of independent means or secondary paid employment can do the job effectively.

I would like to concentrate on the following issues:

1. Accommodation:

It is clear that those with constituencies at a distance from London need a second home in London in order to do the job effectively. Although MPs in London have the opportunity to commute (as do many of their constituents), it is neither desirable nor, indeed, possible, for those further afield to do so. Much of the criticism of the present system either relates to inappropriate purchases claimed for as "necessary", the dubiety of MPs acquiring property funded through mortgage payments, or the practice of "flipping" the designation of principal home. Much of this could be avoided if the system was simplified, and restricted only to costs arising directly from the use of the property. I personally feel that renting property, and a system whereby only

rental costs, council tax and utility bills could be reclaimed would be preferable. Indeed, the committee may like to consider whether it would be possible for the rental agreement to be between the landlord and the house authorities directly, within specified cost bands, so that no money was either expended or reclaimed by the individual MP.

In considering the rent costs appropriate, the committee may wish to make an assessment of current rental values in the central London area, taking into account the suitability of accommodation, and make recommendations. The interim proposals suggest parity between the limits on rent on the one hand and interest-only mortgage payments on the other, which is hard to justify given the considerable premium between the two.

If the committee believes a form of mortgage payment should be maintained, it should consider how any capital gains (or indeed losses) on the property could properly be retained by the taxpayer. If not, it will have to consider transition arrangements for those locked into current property.

I do not accept the arguments for a simple increase in salary as a way of compensating for accommodation costs, as that would simply reward the better off, or those with access to property either in London or their constituency, at the expense of those without such advantages. It would end any transparency over reimbursement and would do little to satisfy the concerns of the public.

As far as “flipping” is concerned, I see no reason why a house in the constituency should not always be considered as one’s principal address, so that London accommodation, necessary because parliament is in the capital city, is treated as a second home for purposes of financial support.

2. Office Expenses:

MPs are almost unique in having the payroll of the staff they employ, the offices they use and all running expenses considered, at least by elements of the media, as their “personal expenses”, as though any of that money were paid directly to the MP in question. A system which did not give that impression would be helpful, but care must be taken not to “nationalise” the running of MPs’ offices to the point at which the MP’s necessary independence from the executive, or the capacity to organise to meet the widely differing needs of diverse communities, is compromised.

The committee will wish to consider the question of employing family members. There are strong arguments both ways on this, but if the practice is continued it must be on the basis of transparency and evidence of a clear aptitude for, and performance of, the task in question.

3. Audit

I believe the house made a considerable error of judgement in not accepting recommendations to introduce full independent audit a year ago. The committee should look to recommend a system based on the maximum transparency and external audit.

4. MPs are people too!

I would like to enter a small caveat. As will, I hope, be clear, I am a strong exponent of rigour, transparency and effective policing of any new system of expenses. I hope that the committee will provide a clear framework for that reform. I also hope, however, that the committee will recognise what is necessary for MP's to do their job effectively, that sudden transitions in arrangements may cause very substantial difficulties for those MPs who do not enjoy very substantial personal financial assets, and that changes in the arrangements should be made in a way which tempers revolutionary zeal with understanding for those individuals who will be affected but who have kept assiduously to the rules extant until now!