

THE COMMITTEE ON STANDARDS IN PUBLIC LIFE

REVIEW OF MPs' EXPENSES AND ALLOWANCES

**Church House
Dean's Yard
Westminster, London SW1P 3NZ
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Morning/Afternoon Session**

Members Present: Sir Christopher Kelly KCB (Chairman)

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

Secretariat: Ruth Alaile

Witnesses: Bill Cockburn CBE TD, Chairman of the Senior Salaries Review Body
Keith Masson, Senior Salaries Review Body

Tony Lloyd MP, Chairman, Parliamentary Labour Party and Martin O'Donovan, Secretary, Parliamentary Labour Party

Roger Gale MP
Suzy Gale, Wife of Roger Gale MP

Amyas Morse, Comptroller & Auditor General, National Audit Office

Dave Hartnett CB, Permanent Secretary for Tax, HM Revenue and Customs

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BILL COCKBURN CBE TD AND KEITH MASSON, SENIOR SALARIES REVIEW BODY

1. SIR CHRISTOPHER KELLY (Chairman): Good morning, our first witnesses today are from the Senior Salaries Review Body. You are very welcome. Thank you for coming and thank you for your evidence. Did you want to say anything by way of introduction, or shall we go straight into it?
2. BILL COCKBURN (Chairman, Senior Salaries Review Body): To be honest I think it is covered in our evidence and our reports that I see you have before you. So if it is helpful to you why do we not go into questions?
3. SIR CHRISTOPHER KELLY: Thank you very much. Can I begin with a general question then which is do you understand what the SSRB's role is in the new world, assuming the current Bill becomes an Act?
4. BILL COCKBURN: We are assuming it will be largely the same as it is now. Nobody has spoken to us about any difference in our role. Our role primarily, on an independent basis, is to review the pay of the senior people that we represent which we have said in our report. As regards to MPs, we determine their pay on an annual basis by reference to a formula which Parliament incorporated in a resolution. Once in the Parliament, usually in the first year of a new Parliament, we would undertake a more fundamental review of pay and we look at expenses. So, none of that has changed so far as we are concerned. At least nobody has told us.
5. SIR CHRISTOPHER KELLY: What has changed, one imagines, is that in future arrangements will be made to make sure that SSRB recommendations about the pay and allowances are automatically accepted.
6. BILL COCKBURN: That, indeed, is the position as of now. Reinforced by resolution of the House on 3 July 2008 when MPs agreed with our recommendations that we should determine their pay, they would accept it without voting or discussion and we have had two iterations of that now. The 2009 pay award and the 2008 pay award were notified to them without discussion.
7. Of course, the next major review would, we expect, be in the first year of the new parliament whenever that is.
8. SIR CHRISTOPHER KELLY: I am not sure I understand this correctly but the regime for expenses is supposed to be, in future, in some way statutorily embedded whereas the regime for pay and presumably pensions is not. Do you understand why that should be?
9. KEITH MASSON (Senior Salaries Review Body): The first version of the Bill - I have not looked at the latest version - required the proposed Parliamentary Standards Authority to consult the SSRB on expenses, among other people on the list of people being consulted.

10. SIR CHRISTOPHER KELLY: Could you speak up or bring the microphone a bit closer.
11. KEITH MASSON: As I said, the Parliamentary Standards Authority was required by the first draft of the law to consult the SSRB on expenses. So my understanding was that the mechanics, at least, of how expenses were to be claimed or set would be for the Parliamentary Standards Authority to determine. So a distinction between pay, which the SSRB would continue to recommend on; pensions, which the SSRB is currently looking at; and expenses for the Parliamentary Standards Authority in consultation with, among other bodies, the SSRB.
12. SIR CHRISTOPHER KELLY: So you are not expecting in future that the SSRB will continue to make recommendations about the quantum of the limits on expenses?
13. BILL COCKBURN: The view that we have expressed, which was covered in our report, is that there is merit in having the pay and expenses reviewed together so that one is not played off against the other. You can actually take a view. Given the experience we have had up until now, I think there is a much greater need for rigour in this area. If it is fragmented, there are too many fingers in the pie, there is a danger that it will slip again.
14. So the thing I think our body is well equipped to do is to price things, whether it is pay, pensions or expenses. It can be for others to say what the things are that you can claim for and to enforce the payment of it and the auditing of it and so on and so forth, but when it comes to say, from time to time, should a given allowance be re-rated changed or whatever, benchmarked, then I think our body would be quite well equipped to do that. That is the view that we have expressed.
15. SIR CHRISTOPHER KELLY: So your expectation is - I am sorry to labour this point but I want to make that I understand it correctly - that in future the SSRB will continue to make recommendations about the pay and the quantum of expenses, and presumably pensions, but the difference will be the acceptance of your recommendations about pay simply depend on a resolution of the House which can be overtaken at any time. Whereas your recommendations about expenses will be filtered through the new body and the new body having decided they are okay they are then protected by the Act rather than by simple resolution, is that right?
16. BILL COCKBURN: Hopefully in doing it we will have an eye to the practicalities of it and the safeguards in the views I have just expressed.
17. SIR CHRISTOPHER KELLY: One assumes that in future whatever the institutional arrangements, when you make recommendations about expenses those recommendations will not be cherry-picked and overturned.
18. BILL COCKBURN: Yes, and as you can see in the evidence we have given you, there has been examples of cherry-picking. For example, this

report that we did in 2007, which was quite comprehensive and it covered expenses as well, the government received it in July 2007, did not publish it even until January 2008 and then when they eventually came out most of the recommendations were not accepted. The expenses part was remitted to the House's own committee. Its recommendations were turned over but in the process of that there was some cherry-picking. We have seen that over the years so there need to be greater rigour in the enforcement of those.

19. SIR CHRISTOPHER KELLY: Can I ask a question which is not intended in any way to be offensive, and that is if you look at some of the past SSRB reports ... in this report you stated, "We have received no substantive evidence to suggest that MPs are abusing the system." There are things that are said about the Communications Allowance and so on, which subsequent events suggest you may not have made if you had been fully aware of everything that was happening. So my question is, will the SSRB be in a position in the new world to sufficiently understand the way in which expenses are being used and to make proper recommendations about it?
20. BILL COCKBURN: You know the expression, "Once bitten, twice shy". Here we have the position where we reviewed the Green Book. Who can argue with the clarity of the principles underpinning this? There was no evidence at all that came to our body at the time that there was any kind of misuse of these ... in fact I think we said that there was a greater degree of scrutiny in Westminster than in other parliaments. So that did not come out.
21. We rather assumed, naively, I think in the event, that the principles in the Green Book would have been stringently enforced by the authorities in Parliament. The body that approved the expenses and paid them and so on. Clearly there was not enough challenge and push back, in fact in some cases probably there was a little bit of bullying going on in order to get the things through. So clearly I think the lesson that emerges from this is it is all very well to set down the fine words but you have to make sure that the follow up is actually reinforcing the words and that points, I think, to a much more rigorous process of day-to-day management, audit, sanction and transparency.
22. SIR CHRISTOPHER KELLY: Are you confident that in future the combination of transparency, which we now have, the new parliamentary body and the introduction of proper audit will give you the information you need in order to make the judgements you need to make?
23. BILL COCKBURN: It ought to greatly improve the position. But of course the role of the SSRB is not to police the system. Our role is to advise on what is the appropriate rate for the job or the expense. The thing that we have reinforced more than once is expenses should have been the recovery of expenditure incurred wholly and necessarily to do the job. It was not intended to be hidden income. I think what has emerged from recent events, that there has been a kind of cloudiness over the line between income, pay and expenses and a bit of trading between them, sometimes I think encouraged by government. I think, for example, the rejection of the last pay

recommendation, that there was perhaps an understanding, winking and nodding, that the expenses regime might take up some of the slack.

24. SIR CHRISTOPHER KELLY: It is quite clear that there are a significant number of people in the House who believe that part of the problem is that the level of pay is not high enough and they draw comparisons with people like police superintendents and head teachers with whom, at some point in the past, they used to have a degree of equality. In this report you say that relative to the comparators you have used in the public sector - the private sector being another thing - you think that MPs receive about 10 per cent less, taking account of pensions as well, than the comparisons would suggest. But you say also that there may be other factors around which would justify that differential.
25. BILL COCKBURN: In fact we mentioned the 10 per cent, not just in this report but John Baker repeated it in his report as well. But interestingly, in trying to bridge the gap, in fact, our proposals were rejected because we suggested that over a three year period there should be increases of £650 on top of the pay award so as to narrow that gap towards the 10 per cent. But that was not accepted.
26. SIR CHRISTOPHER KELLY: My question is more, a number of MPs themselves have suggested that the differential between them and the people they like to compare themselves in the public sector is much greater than 10 per cent.
27. BILL COCKBURN: They might say that. I think what we would say about that is our body is an evidence based body, we do take evidence, we do comparisons, we have got the support of the OME economists and statisticians, they look at all the data and in forming a view we would take that into account.
28. The report you are referring to was a 2007 assessment of the pay. The next time we will look at it in depth will be after 2010. So it is a long time. What we would do is, we would look at all the factors and the comparators again to see how things might have changed over the period and forming a view as to what pay should be. Whereas in the past it has always been politically difficult for Parliament to accept their increases in pay and for the government, under the new arrangements we will be the body that looks at it objectively and produces the report with the expectation of what we recommend will be implemented without discussion or interference.
29. SIR CHRISTOPHER KELLY: Would one of those factors you take into account in the post 2010 major review be the fact that the allowances have been cleaned up? The reason I ask that question is, for example, you now say that you think that the £25 overnight allowance is not justified and should, by implication, be removed and other people have said the same thing to us. If that were to happen would that be one of the factors you would want to take into account in setting pay?

30. BILL COCKBURN: I think what we would say is that we have never accepted that you trade one against the other. The expenses are expenses and it is supposed to be recovery of expenditure actually incurred and that pay is determined by reference to what is the reasonable level to ensure that you can recruit and retain people of sufficient quality to do their jobs properly. I do not think that one would want to muddy the waters there. What we would do, I think is to say, looking at all the circumstances in 2010 or 2011 whenever that might be that we would have an eye on what is the total remuneration that is likely to be justified.
31. What will happen on the expenses, hopefully, will be a cleaning up of the arrangements and less scope for the kind of scandals that we have seen emerging in recent times.
32. SIR CHRISTOPHER KELLY: I understand that point exactly but one of the things that might happen is not just cleaning up but also simplification, removing some of the things for which MPs can claim on the basis that they are the sort of things that people ought to pay for out of their normal incomes. You give another example of spouses' travel, for example. That sounds fine in principle but if people are paying for things out of their normal income then you would expect those incomes to be large enough to make that possible.
33. BILL COCKBURN: Yes, that is why I think we would look at the thing in isolation and say, "What is the appropriate level of pay that is justified?" The fact that people get freebies, which might be removed because in today's world such freebies are not justified and not found elsewhere in the private sector. It does not automatically mean that you should pick up the cost of these freebies and reflect it in basic pay pound for pound.
34. SIR CHRISTOPHER KELLY: A couple of final questions from me. You recommended in last report that the London supplement should be increased to £3,500, MPs in fact increased it to £7,500.
35. BILL COCKBURN: Yes, outrageous, or so I heard.
36. SIR CHRISTOPHER KELLY: That is your view, that it is outrageous?
37. BILL COCKBURN: It is totally unjustified. When we looked at it, we looked at it objectively, what other people get in similar circumstances and we recommended quite an increase to £3,500 from the previous lower level. Out of a clear blue sky £7,500 appeared ... here was an example, I think, of the cherry-picking that we were talking about. Let us increase the allowance and let us not take the pay increase.
38. SIR CHRISTOPHER KELLY: What factors did you think the £3,500 was supposed to cover? Do you see it in exactly the same way as the London weighting payment or was it supposed to cover something else?
39. BILL COCKBURN: I think we viewed it like this but when we were taking evidence, it was argued that some element should represent not just

the cost of living in London but the unsocial hours associated with it. You know, some compensation for that, which I do not think we necessarily would have taken into account. Because lots of people have to do that, commute and so on.

40. KEITH MASSON: The Members' Estimate Committee, as I recall, mentioned unsocial hours, among the other factors, justifying it. But when the review body looked at it and had the consultants look at London weighting and advise, it was purely on the basis of the additional cost of living in London and they identified a range and the review body picked a figure within that range.
41. SIR CHRISTOPHER KELLY: Thank you. The final question from me, the Additional Costs Allowance under its new name, the accommodation expenses, you recommended the figure should be £23,083, what was that based on?
42. KEITH MASSON: Well, it had been set in the dim and distant past and uprated year on year by RPI and basically there were a number of bits of evidence; the consultants again looked at it, looked at the cost of maintaining a flat in London, we talked to the MPs themselves, some of whom argued that it was not enough, some of whom said it was comfortable.
43. SIR CHRISTOPHER KELLY: But conceptually it is supposed to cover what? The cost of a one-bedroom flat reasonably close to Westminster? What is the concept?
44. KEITH MASSON: We were not specific, I do not think, about a one-bedroom flat because we recognise that there are some MPs with families and so forth who might have a need for something more. But it was simply designed to enable them to maintain, on average, a reasonable level of accommodation close to Westminster or in the constituency. Because the problem with setting that figure, and perhaps in retrospect one can argue that there should have been a differential rate for second homes in constituencies rather than in London, the original figure would have been set some time back on the basis of what it would cost to have a flat in London and the consultants just look at that each time we ask them to do it.
45. SIR CHRISTOPHER KELLY: Thank you very much. David.
46. DAVID PRINCE: Yes, I would like to come to the point about transparency which you were talking about earlier. You said in your evidence that the disclosure of the new system should not be less than that now provided by the Scottish Parliament and there may be a case for going further. Can you tell us what you mean by going further and how much information you think should be made available to the public and what it would be appropriate to redact in future?
47. BILL COCKBURN: Perhaps I can start and Keith can follow. I think all elements of expenditure need to be disclosed. Whereas, as recently as 2007, MPs could spend £250 a time on items without requiring any receipt

whatsoever, we then recommended we should rein in on this and make it £50 a month in total. The MPs decided to do £25 per item, which is less rigorous, and I think now the game is up. I think everything has got to be disclosed frankly.

48. As to what should be redacted, an interesting new word they use, clearly I think it should be the minimum essential to safeguard the security of the individuals. But as regards to the money, I think that should be fully disclosed and I think there should be receipts for everything. If at the end of the day there is a problem about the sheer magnitude of it, it is then for the new authorities and the auditors to decide what is an appropriate level of sampling to ensure rigor and transparency and so on and, depending on the circumstances, they would probe more widely. If everything is all right I would expect the sampling system to ease it back. But clearly I do not think it is good enough nowadays to say, "Well, let us not provide receipts for so much". I think there is so much disquiet about the arrangements I think that frankly that is what we need to do to give that reassurance.
49. DAVID PRINCE: So it is all expenditure and all receipts and that would include details of travel journeys, would it? We have been told in evidence it is difficult or impossible for MPs to record their mileage and their journeys. Would you think that they should be recorded?
50. BILL COCKBURN: Of course, it has to be. If you are driving a car and you are going to claim mileage then you have to set that down clearly in your claim. Of course the other thing about claims is the individual has got to certify that this is the truth and if subsequent auditing reveals inaccuracies then I think there has got to be some sort of sanction. The primary responsibility surely rests with the MP. He is surrounded by guidance and rules and limits and so on but it is up to the MP to exercise that integrity and judgement. In signing that claim they are actually making that undertaking.
51. DAVID PRINCE: So he signs the whole thing and then he is wholly accountable for what he has claimed and all that he has claimed for is available to the public?
52. BILL COCKBURN: Absolutely, yes, I would say so.
53. DAVID PRINCE: Can I turn then to outside interests. I think I am right that you calculate MPs' pay with regard to it being a full time job, and you do make some comments about the degree to which the job has changed as between constituency and scrutinising the executive here in Westminster. I would like to move from that into those MPs who have outside interests and whether you think, if people have an outside interest, somehow they become a part time MP and the pay should be abated and paid accordingly. So can you talk to us about the job and the impact of outside interests on the job as you see it that you are remunerating in your system?
54. BILL COCKBURN: The first thing I would say is it is very much in all of our interests that our MPs do represent a good representative cross-section of

society and therefore having people who can bring real experience of other jobs is beneficial to the House. When it comes to how do you take account of this, I think what I would say is it is all a matter of scale and perspective. If an MP currently does another public sector job like Assembly Member in one of the devolved parliaments, in these circumstances the lower of the two salaries is abated by two-thirds. That is backed up by legislation. It specifically covers MPs who are doing Assembly Member jobs. But the same principle could apply to other public sector jobs. For example, if you are a councillor and you are doing a lot of extra work in the council which keeps you away from Westminster, then you could consider whether that same principle of abatement might be appropriate. I do not think I would go as far as to say if somebody is a councillor, and that is all they do, that there should be an abatement of salary because a lot of that work is done in the evenings and weekends. But if they are actually doing cabinet posts in the council, taking days on end, that is a different scale.

55. As regards the private sector, clearly that is for consideration and it would be a difficult thing to look at, and I would say one would take into account how much time ... I do not think it is related to the money necessarily but I think time. So if you find that MPs are spending days and days and months doing this, you might raise the question as to whether there should be some basis of abatement but I think that needs to be carefully considered.
56. DAVID PRINCE: There is an issue of principle here, is there not, about whether there should be an abatement of salary. We have talked about councillors and Assembly Members and so on. But there is then also, as you say the issue of practicality. I can understand what you are saying about councillors and Assembly Members but there is a school of thought in other sectors that encourages people to do non-executive type posts in the voluntary sector. It is thought to be good for their development and good for the organisation because they establish networks and bring information back. Do you think any of that applies to MPs?
57. BILL COCKBURN: If you take an example of myself, where you are employed by a company and they pay you full time and you have the opportunity, the invitation to be a non-executive director of other companies, what normally happens is that you would seek permission to do it, the company will have a policy view as to how many of these you should do, having regard to how much of your time they want for themselves. Usually the remuneration committee of the company would approve this and they would also take a view as to whether the individual should retain the fees that are payable in these circumstances. In some cases the individual can keep the fees, in other cases they remit them to the company, and in other cases they share them. So you get a variety of practice but the key thing here is that the principal employer here takes a view as to how much time they want their executive to spend on these activities. In doing so, most companies would regard it as very beneficial to them that their chief executive or senior executives do these other jobs because it widens their vision and experience and that is beneficial to them and to the company.

58. DAVID PRINCE: So the overriding consideration is protecting the main job that is the parallel that you are drawing. What about the situation where people have lots of small things like membership or trusteeships of voluntary sector bodies for example which may or may not be paid, do you think the same principles of abatement and so on should be applied there or does practicality preclude that?
59. BILL COCKBURN: I suppose the acid test is, does it seriously eat into your daily responsibilities as an MP? If it is things that you are doing in the evening or at weekends and so on ... you know the old cliché, if you want a job done you ask the busy person to do it because they can generally get it done. So it does not follow that you can be entirely formulaic about how much time is spent but I think it is a matter of good judgment and scale. Therefore if you had a new set up, some authority that could take a balanced judgement as to what is reasonable ... Maybe you might have a situation where if the MP is getting lots of invitations to do directorships or whatever, there might be some sort of discussion between the MP and the authorities to kind of disclose fully what the position is and more importantly how much time is going to be taken up, so the authorities could take a view as to whether this was a reasonable balance between the individual's contribution to Parliament and his contribution to other things.
60. DAVID PRINCE: So you are going for an independent view being taken on a case by case basis but we have had evidence put to us that being an MP is a full time job and people should not be considering outside interests at all. It somehow diminishes them as an MP if they are doing outside jobs. Where are you on that line?
61. BILL COCKBURN: I think that is going much too far and I do not think it would be beneficial to emerge with a population of MPs who are wholly and exclusively political in their experience, with no experience of outside work, and losing touch with it. I think that is going too far. On the other hand, I do think there has got to be a kind of overarching look to see does it pass the test of reasonableness. Now, it may well be, out of your work, if there is full disclosure of the extent to which MPs are doing this, that might be sufficient. You know, once you shine the light on it and say the local constituency party and people can take a view as to how much time their MP is spending on other things, that might curb the excesses that might otherwise be there if the position was wholly secret.
62. DAVID PRINCE: Finally, as the job itself, you comment about the constituency case work business has grown over time. You seem to express some concern about that. Is that, do you think, to the detriment of the job in Westminster and when you come to look at the rate for the job again you ought to be recalibrating the description of the job as you now have it?
63. BILL COCKBURN: I think there is a fine point here as to what is the primary role of the MP. Maybe that should be revisited because I think there probably is an element somewhere of MPs almost evolving into social workers. They encourage a lot of case work, get a great number of staff doing

this, and so it may feel good to do this stuff but it does raise the question, is this the primary job of the MP to do this? Should they not be deflecting the constituent to the other agencies that deal with these things? Because what happens is the manifestation of this growth in case work is a cost to the taxpayer because there is pressure not just to increase the pay of the MP but to increase the support costs that he has, in terms of the number of staff employed and the sort of case work that they are doing. So at the present time I think MPs are allowed to have the equivalent of 3.5 full time staff and there is pressure to increase this.

64. Now, this amounts to a substantial cost over time to the taxpayer and I think it is legitimate to review whether this is actually best value for money, bearing in mind that there are many other avenues of support to the community. Is this duplication? Is it worthwhile? Should it be looked at?
65. DAME DENISE PLATT: I want to pursue that a bit, if I may. But first of all I want to comment on the fact that in your 2007 report you quite often make recommendations which recommend differential rates of allowances and you also referred that may be a differential rate for accommodation allowance might have been a recommendation that you could have made. Could you tell us what principles underpin the determination of the differential from your perspective?
66. BILL COCKBURN: I think as a general statement we would say that MPs are doing a really important job and it is absolutely legitimate that they should have proper support in whatever form that takes - support with their accommodation, support with their staffing and their office - to enable them to do that job. It is not an easy job and they have to make quite a lot of sacrifices to spend time away from home to do it. So I do not think that one should salami slice them down to a level which is unreasonable. That said, I do not think it should be excessive and I do not think it should be a basis that permits profiteering.
67. So in terms of looking at expenses as a general rule you say that if you are guided by the principle of compensating for costs actually incurred then insofar as there may be higher costs incurred in one area for one activity than in another, perhaps, that should be accepted. You know, there should not be fortuitous gains and losses in general terms.
68. Keith, do you want to reinforce this with the experiences ...
69. KEITH MASSON: I think there are two areas where there are clear differentials. One was staffing costs, where the recommendation was for higher staffing costs in London, simply on the basis that we were advised by the consultants that average pay rates for the people concerned were higher in London and the staffing allowance should reflect that. The other area was office costs, where we had evidence from a number of MPs that the cap that applied to office costs or rent for offices was set at a level which meant that they could not get suitable premises in high cost constituencies and so having thought about that problem, the review body recommended that instead of

setting a cap on the amount of money that could be used for offices, that there should be a cap on the actual size of the office, 800 square feet from memory. That the House authority should pay a reasonable rent, whatever that was, because that was the only way that we could see of treating MPs equally so that those in very high cost areas could have an office without giving a windfall to those in much lower cost areas. So that was the basis for that differentiation.

70. DAME DENISE PLATT: That is the principle that you now think you should have considered for accommodation as well, is it?
71. KEITH MASSON: I think it is probably more complicated for accommodation.
72. BILL COCKBURN: Yes, I think what I would say on that is obviously the MPs travelling from afar do need reasonable accommodation to live in. The form that that takes, I think there are a number of options that come to mind. Whether the current arrangement would be regarded as discredited and needs to be replaced I think needs to be considered, but this could take the form of rent or mortgage assistance, or a monetary sum, or hotel expenses against receipts. But I think in the new regime whatever is decided it should be backed up by evidence and receipts. Another option is to do what the military do, which is they arrange the accommodation for their senior officers so that no money changes hands. Sometimes it goes in the other direction and the officer might pay a contribution but the whole process would be taken away from the MP. There are standards set according to your rank and position to determine the appropriate level of accommodation that would suit your purpose. That is an option obviously and I think in the case of the MOD they do it on quite a large scale so it is ... the mere fact we have got so many MPs does not necessarily rule that out.
73. DAME DENISE PLATT: I think we are hoping to take evidence from the MOD. But can I just pursue some of the issues that underpin that. Clearly to determine an expenditure regime or an allowances regime, you have to form a view of what the job of an MP is and where the balance of their time should be spent. You have already made comments about case work. Can you tell us where, in your view, the balance of resources should be spent on allowances and what the job of an MP essentially is that the allowances system can underpin?
74. BILL COCKBURN: I think in our evidence to you we kind of set out in our view expenditure that we labelled essential to an MP's job and we set that down.
75. DAME DENISE PLATT: So what is the job? We have had 461 different views of the job of an MP so it would be helpful to know when you are looking at the quantum what view you take across the average of those 461 or 661, whatever.

76. BILL COCKBURN: I do not think we would claim to have any unique insight or wisdom on this but in general terms the MP is there to represent in parliament the interests of their constituents. I have already said earlier that some MPs go a lot further than this and they are almost putting themselves about like social workers, in that they take every cause of the constituent and are pursuing. I am saying that maybe that ought to be looked at objectively as to what in this day and age is an appropriate role and therefore the support costs that the taxpayer should put behind this, because clearly it has got to be measured and proportionate.
77. But fundamentally the job is to represent the constituents in Parliament. I think you are looking around --
78. DAME DENISE PLATT: The additionality is the coming to London from your perspective?
79. BILL COCKBURN: Yes, and then saying in doing that job, holding to the geographic situation, you have to give them support, you have got give them staffing support, housing support, accommodation support in whatever form that takes. I think, in the controversial circumstances that give rise to this work that you may want to advance other options for satisfying that need. But there is no denying that the need has got to be provided.
80. DAME DENISE PLATT: In your 2007 report ... sorry.
81. KEITH MASSON: I was just going to add, in the 2007 report we devoted quite a lot of space to the fact that MPs are very different, one from another. They see the job in different ways and they put the emphasis in different places. Inevitably in trying to price these things one has to take an average and so the consultants went out and interviewed a cross-section that was not random - it was deliberately weighted to get a representative sample by party, by geographic location, by sex of MP and so forth - in order to come up with a meaningful average of how they spent their time and the job weight according to the different activities.
82. DAME DENISE PLATT: I want to pursue the expenditure in the constituency because it occurs quite a number of times, and you have referred to the case work issue. There is also the argument that you put that expenditure on staff in the constituency is an incumbency benefit that ... many of the MPs who have appeared in front of us say that is the core role of an MP, to respond to constituents locally and represent their interests. So it is simply part of the job.
83. Can you say a bit more about what you think the issues around incumbency are and the staffing in the constituency?
84. BILL COCKBURN: Yes. It has been put to us, some MPs or those who aspire to be MPs are concerned about this. You can see the point that if there was no limitation on, for example, the Communication Allowance, staffing in the office, you could see circumstances where the MP is very

prominent in the community, everybody is getting lots of communication, he is very much in their face. It could be argued that if that was beyond what is a reasonable job you could say that that gives individual unfair competitive advantage when it actually comes to the next election. It is a sensitive point.

85. On the other hand, one does not want to tell MPs what they should do because the essence of this is they have got to be free spirits. But what you can do, I think, is take a reasonable view as to the resources that you will be prepared to put in place so as to exercise some sort of reasonable control over this, and at the same time we would like to see - on the communications allowances for example - the House actually specify what kind of communication is acceptable and what sort is not.
86. Although there is a case in point. When that allowance went in we recommended that there should be an abatement of some of the other aspects of expenditure which already included an element for communication but that was not accepted.
87. DAME DENISE PLATT: A number of MPs that we have talked to, they rent premises, independently assessed and evaluated, from their local constituency political party. Do you think that the safeguards in place to ensure that independent evaluation and those costs are properly come to are sufficient to prevent public money subsidising political party purposes?
88. BILL COCKBURN: I think it has got to be policed very carefully. Correct me, Keith, have the rules already been changed on this?
89. KEITH MASSON: If I remember rightly the rules already require an independent surveyor/valuer's confirmation that the rent is reasonable where premises are rented from a political party. On the face of it that would seem to be adequate. The Office of Manpower Economics is not a specialist forensic accounting organisation.
90. BILL COCKBURN: So what we do is we specify the space requirements, the 800 square feet, and we say there ought to be independent evidence as to what is the market rate for that and then it should all be receipted. So if you have that sort of safeguard then I think that should be straightforward.
91. DAME DENISE PLATT: Yes, a market evaluation might include an element of profit?
92. BILL COCKBURN: Yes, I see your point, but if you were to say, "What is the market rate?", so regardless of the landlord, what is the market rate, and if people are competent to do this it actually provides some safeguard. It is not just what the landlord says he wants to charge you, there has got to be this kind of validation of that rate. I think that is an essential safeguard.
93. DAME DENISE PLATT: Okay, when you made your proposals about procurement in accordance with local market rentals I think you evaluated the

cost, if you moved to that system rather than just an amount, of being £0.65 million and the House authorities when they looked at it came up with the figure nearer to £4 million. Is there are reason for that sort of discrepancy?

94. KEITH MASSON: It was very much an estimate because there were a number of MPs who did not have offices in a constituency and the question was how many will now set up offices if effectively the limit on expenditure is raised? It was a guess, frankly, as to what that would be.
95. DAME DENISE PLATT: So you were creating a demand?
96. KEITH MASSON: We did actually talk to the authorities, the House authorities about it, and we got an average figure for what was the current rent being paid and based the estimate on an arbitrary increase in that amount. We just did not know what the take up was going to be.
97. DAME DENISE PLATT: Okay. You have also changed your mind about the employment of family members. You now think it should not happen?
98. BILL COCKBURN: Yes, at the time we did the report we did not have any of the scandals that have come to notice and having seen that I think, in our view, as part of the transparency and accountability and the need to restore public confidence, regrettably one has to take a harder, more rigorous view. Even accepting that many MPs who employ family members are probably doing so absolutely diligently and properly and so on. The trouble is I think that it has been debased to a degree and I think the public probably need reassurance. Insofar as we expressed a view on this, that is the view that we would ... we have hardened our view really in the light of current circumstances.
99. DAME DENISE PLATT: Okay. Thank you.
100. LLOYD CLARKE: Three areas that I would like to test with you if I might. Firstly, in each of the areas, just to test understanding for clarification, and then in each of the three areas to, as it were, advance a proposal to you and your views back on that, and it may well be that you would like to take a little time to think about that and respond in writing as well as. The first one in respect of the Communications Allowance, please, you said in your 2007 report, "Spending by MPs should not provide an undue advantage to incumbents when it comes to elections. The system which has been built up over the years achieves that end." Do you still believe that, i.e. that it does not provide that advantage to the incumbent?
101. BILL COCKBURN: My personal view, coming to this more recently, is that it could advantage the incumbent. You are talking about £10,000, it is quite a lot of money and it gives the opportunity for the MP to project a prominence in the community to a degree which could be seen to create unfair advantage. That is why I think there should be an ongoing review as to what

is the value for money, does it represent legitimate expense in the scale and the nature of what is done.

102. I certainly think that as part of the arrangements there should be a body, probably not ourselves, who would want to check and validate that the communication approach continued to be in line with the criteria there, because it is important that you do not get this unfair approach.
103. LLOYD CLARKE: The evidence that we have heard almost splits on party political grounds. One being that, yes, it is a good thing as it enables us to communicate with our constituents. On the other hand it is the view that what this does is it does advantage the incumbent and therefore should be done away with.
104. Interestingly as well, it has been suggested to us that this is probably the only allowance that was not proposed by yourselves and was proposed by a party and introduced by an individual party and then you took a view on it after that event by saying it seemed appropriate, "The size of it seems appropriate at this stage". Would that be a fair round up of where we are at the moment?
105. KEITH MASSON: It is true, you are absolutely right, Parliament voted the allowance through and the SSRB was then asked is the figure of £10,000 appropriate? I think that, bearing in mind we were in a rather different climate at the time, political context, we had not had the various revelations that we have had since then. SSRB, I think, is not the Committee on Standards in Public Life, our expertise is in pricing things. We looked at the £10,000 in the 2007 report and we got PwC, the consultants, to do some costings. What would it cost to send a newsletter out? We came to the view that the figure was reasonable for what an MP might be expected to do. The question was about the principle, was it right that MPs should have this allowance?, This was a difficult one for the SSRB to express an opinion on. Parliament had voted on it, Parliament is sovereign. Was it for the SSRB to say, "Despite that, we think this is wrong"? We know what the reaction of many MPs would be, "Who the hell are the SSRB to tell us how to run our show?"
106. LLOYD CLARKE: One of the things you did add to that was that you made a recommendation that the incidental expenses allowance should be reduced as well. But that did not follow, did it?
107. KEITH MASSON: No.
108. BILL COCKBURN: But here is an example of cherry-picking. There have been cases in the past, and we set out some examples of those. Sometimes we put these things together as a package. When you cherry-pick the package and only take the nice items then the package is by definition out of balance. Over a period of time I think that corrodes the system. So what we are looking forward to in the new situation is greater rigour and transparency about these kind of things.

109. LLOYD CLARKE: Okay. Specifically in this allowance then, could you give me a view on a proposition that I put you to: Do away with the Communications Allowance per se but leave the rules and guidance that have been brought in surrounding communications - because you do feel that guidance has tightened things up as it has gone along - and that the spending should be from the incidental expenses allowance which is how it was before. Does that seem reasonable?
110. BILL COCKBURN: That is how it worked before. I think what we said was when this more dedicated allowance came in that there should be an abatement elsewhere which did not happen so they kept their cake and ate it as well.
111. Whatever is the appropriate way to do it, whether you label it as a discrete allowance and you satisfy yourself that is okay and you put the proper rules around it, make sure that it is not duplicated elsewhere and keep it under review, is what I would say.
112. LLOYD CLARKE: Okay, could I go to the Resettlement Grant. Again, because you said previously that the resettlement grant should change, it should not be there and available to people who voluntarily stand down and it should only be for a sitting MP who presumably fights the seat and loses it, in that instance, or in case there has been a boundary change. Do you still stand by that as a recommendation, again albeit that it was not followed?
113. BILL COCKBURN: We certainly do. We were reviewing the Northern Ireland Assembly arrangements recently and that was a recommendation we put in there. We are reviewing the London Assembly arrangements and we also believe that should be the case there. So it is just the case that if somebody fights a seat and loses it, yes, okay, some sort of redundancy arrangement but if you were in a company and decided voluntarily to stand down I would not expect that you would get the equivalent of the resettlement grant.
114. LLOYD CLARKE: Okay, thank you very much. That is all I need for clarification, thank you.
115. SIR CHRISTOPHER KELLY: Elizabeth.
116. DR ELIZABETH VALLANCE: Can I revert to the Parliamentary Standards Authority, what the new Bill is suggesting. You have said to us earlier this morning that the primary responsibility in this case rests with MPs themselves, as far as allowances are concerned, as far as expenses are concerned. That is that it is a question of personal morality. In effect, supported by a culture.
117. Do you have any worries that the development of a new regulatory body like this may be difficult in this context, in the sense that it is likely to be counterproductive? It suggests to MPs that rather than this being a matter of personal responsibility that it is all going to be sorted by this body out there.

118. BILL COCKBURN: That is the danger. The fact is the MPs are in the goldfish bowl, lots of people are looking through this goldfish bowl and the general public have an absolutely key stake in this. The fact is, I think, that their faith in the system has been seriously rocked by the revelations which I think have astounded most of us. So there needs to be some sort of very public correction of this to help restore their confidence.
119. On the other hand, it is not helpful to demonise MPs because at the end of the day our democracy needs candidates to come forward to stand and to take on this really important job. The danger is if they are seen to be all villains and vilified why on earth would anyone want to come forward to do this? So looking at the whole strategy for restoring reputation and confidence, I think there needs to be a number of things. Clearly the individuals primarily need to take stock of themselves and to accept the self-discipline and those of their colleagues. I think there needs to be a body that sets the rules, polices them at the time and deal with cases of malpractice. There needs to be auditing, there needs to be full disclosure and all of that is an essential rebuilding of reputation.
120. Over time it may be that you can kind of dismantle or ease back on some of these things but it is up to Parliament to win that confidence again, to win their licence to operate based on behaviour.
121. DR ELIZABETH VALLANCE: So what you are saying is we have gone too far now, we need this external body if only to give a strong impression that something is being done and there is a new structure and a new framework. Beefing up the Fees Office will not do. But that there might be some kind of sunset clause which says this will last for so many years and then we can dismantle it.
122. BILL COCKBURN: I think all these things benefit from reviewing from time to time just to make sure they are still fit for purpose, to use the cliché, and to moderate them as necessary. There is an actual process of deterioration rather than improvement in bureaucracy and therefore you just need to make sure that whatever you put in place remains good value for money and achieves its purpose. It might be from time to time you might need to radically alter its remit again in the light of what is the situation at the time, the reputation, the behaviour of MPs and so on.
123. DR ELIZABETH VALLANCE: Are you concerned - and you alluded to this - that the separation of the pay element and the salaries element in different bodies is a problem or do you think it is necessary to keep the two separate so that they do not get confused as they seem to have been in the past to some extent?
124. BILL COCKBURN: I think there is some merit in looking at this, that you have some separation of power and responsibility so that you do not vest in one body, the total monopoly consideration of this. I think there is a model that you can have where an SSRB can have a very clear remit, as it has now,

in pay, pensions and pricing, anything kind of monetary and so on and reviewed based on an evidence based consultative arrangement with an independent body producing a book which is there for everybody to see. Then have another body that says I am going to define for you what you can do and the things that you can claim and so on. Then separately you might have a body that administers the day-to-day operation of paying the fees and checking and auditing and so on and so forth.

125. I think in doing this, though, you have to make sure there are not so many fingers in the pie that you actually distort these accountabilities. So hopefully out of this will come a very clear delineation between what the respective responsibilities are with joined up consultation between them to ensure that overall it represents good value for the taxpayer --
126. DR ELIZABETH VALLANCE: So the fact that we are having all this review at the moment of quangos does not make you think that, for example, you own body, the SSRB, could have done both jobs?
127. BILL COCKBURN: It certainly was very reassuring to hear the Leader of the Opposition championing the pay review body process the other day, notwithstanding his view about quangos in general. I think you need to make sure that bodies, even like ours, do not have a self-evident justification to exist forever. I think they have got to be reviewed from time to time to say in today's society is it still the best option? Because you do not have to do pay in this way, there are other options, collective bargaining for example.
128. DR ELIZABETH VALLANCE: There might even be a reverse takeover by IPSA of the SSRB, who knows. Just one other thing, you have mentioned pensions, you actually see yourselves now as dealing with pay and pensions. I know you have been asked to do the review of pensions but you see that really as a kind of permanent of your remit?
129. BILL COCKBURN: Insofar as the pension is an important element of remuneration then I think clearly it has to be taken into account. But, of course, there are other considerations. You do have the pension trustees who do have their responsibilities. You have the government actuarial service who have an input. It is an area which is fiendishly complex in some respects so you have got to make sure you have the capability to do this, as we did here in our report. We recommended that where the cost to the taxpayer was likely to exceed 20 per cent, we said there should be a fundamental review of the pension provision. Indeed the House accepted this. Here is an area where we can keep an eye on it as we are doing now, calculate what is the arrangement, coming up with proposals which have a sustainability about them at a time when pensions are very much in the public eye, as you know, and the view perhaps that the MPs are very fortunate in their remuneration that they have a pension scheme which is extremely attractive. But whether it is sustainable in its current state or not remains to be seen, and that will emerge from our review.
130. DR ELIZABETH VALLANCE: Thank you.

131. SIR CHRISTOPHER KELLY: One final question of detail. It has been pointed out to us that those MPs who represent areas which are also covered by devolved assemblies have smaller roles in relation to the Westminster Parliament than those from other areas. Is this a factor which the SSRB has ever looked at?
132. BILL COCKBURN: It is not something that we do.
133. SIR CHRISTOPHER KELLY: Well, in relation to the provision of support and so on.
134. BILL COCKBURN: This is relevant in that if we the Northern Ireland review that we undertook, what we uncovered in that situation was that not only is there an expenses regime within the Assembly in Northern Ireland as there is Westminster, whereas the pay was abated the expenses were not. So there was full access to the Westminster expenses by the Northern Ireland MPs as well as having access to quite generous expenses within Northern Ireland. Our proposal, which is on the record, was that there should be an abatement of the expenses to reflect the fact that there are genuine economies of scale. That you do not necessarily have to duplicate because you have got two jobs. You do not need to have two offices necessarily and two lots of staff to deal with issues which are very similar to each other.
135. So we were saying in this case there ought to be some abatement to reflect what was reasonable and also economies of scale. However, this is mainly a Northern Ireland point because I think there is only one MP in Scotland who is also an MSP.
136. SIR CHRISTOPHER KELLY: Yes, my question was not so much about those who did dual jobs, it is those who represent Northern Ireland, Scotland and Wales in Westminster have less things to represent their constituents for because some of those things are the responsibility of the devolved assemblies where their constituents are presumably represented by the members of those devolved assemblies.
137. BILL COCKBURN: You see they are bringing the Scottish wisdom to English matters. I think they see themselves as MPs and in Westminster they carry out the full range of MP responsibility, notwithstanding the fact that in their own country certain things have devolved.
138. To be honest with you, I do not think this is for us. Clearly if Parliament took the view that there should be fewer MPs because of this, maybe that is the logical outcome to this. In terms of job loading and responsibility, do you need a certain number? I think that is beyond the scope of the SSRB but we would be happy to price the consequences.
139. SIR CHRISTOPHER KELLY: Thank you very much, Mr Cockburn and Mr Masson. Is there anything else that you wanted to add that we have not asked you?

140. BILL COCKBURN: We wish you well in your endeavours.
141. SIR CHRISTOPHER KELLY: Thank you. We wish you well with what you have to do when we have finished. Thank you.

TONY LLOYD MP, CHAIRMAN OF THE PARLIAMENTARY LABOUR PARTY AND MARTIN O'DONAVAN, SECRETARY OF THE PARLIAMENTARY LABOUR PARTY

142. Our next witness is Mr Tony Lloyd, MP, Chair of the Parliamentary Labour Party. Would you be kind enough to introduce your colleague.
143. TONY LLOYD MP (Chair, Parliamentary Labour Party): Of course, thank you very much, Sir Christopher. Martin O'Donovan is the Secretary of the Parliamentary Labour Party and operates the link as the PPL's collective memory, for which he is probably better known.
144. SIR CHRISTOPHER KELLY: Thank you. Thank you for coming and thank you for your evidence. I apologise for keeping you waiting. You have let us have an opening statement too, for which many thanks. We can read that into the record but if you would like to draw attention to anything in it, please feel free to do so.¹
145. TONY LLOYD: If I could, Sir Christopher, emphasise a number of points really. The inquiry in which you and your colleagues are engaged is obviously fundamental now to the relationship between Parliament and the people because there is no doubt in anybody's mind that the way in which Parliament and all parliamentarians are viewed now is one that is unhealthy for our democracy and unhealthy for the way that the public believes parliament should operate. So we have to move forward. Your inquiry is an inevitable part of that.
146. Certainly I speak for the Labour Members of Parliament so if I use those terms it is not to be exclusive, it is simply because that is the group which I represent. But I think the Parliamentary Labour Party is looking for a number of things through this process. Obviously the first amongst these is that at the end of it we have a process that engenders wide public confidence that of itself is fair, fair to public but also fair to Members of Parliament and it has sufficient transparency to give both the public and Members of Parliament a sense of proper legitimacy in what emerges.
147. But there are some things that I would, if I may, emphasise. The first I suppose is this. Whilst most of us do not believe there is any magic bullet we do believe it is necessary for Members of Parliament now to be very distant from these processes. We do accept the need for external reference or the establishment of issues around pay, which you had the exchange on a few moments ago and obviously of course around the question of expenses.

¹ The opening statement is appended to this transcript.

148. I would say personally, for many, many years the last thing I wanted to do was vote on my own pay and conditions because the public have never had confidence in that process. Unless, with everything else, we reach a point on which I can perhaps, in my later years in Parliament, feel to content to vote upon.
149. But there are a number of other things I would like to emphasise in this. I think whatever system we generate from this, whatever system you recommend, I hope it can do a number of other things. I hope first of all it will be very faithful to the principle that this Parliament of ours should allow access to people from all backgrounds and from all walks of life and, indeed, from all economic circumstances because that is fundamental to a properly functioning democratic system.
150. I hope, as well, that there will be recognition that the constituency link, at least under the present parliamentary system we have, is fundamental. Members of Parliament do represent constituencies. It is important that we do make sure that there is no bias in the system that gravitates against those who come from and represent the different issues and regions out of London.
151. Perhaps the final point I want to make is that, as a consequence of that, the need for Members of Parliament to be able to communicate with their constituents is an important part of any resource base that is there, and of course, inevitably, for those who do not see their main home as being in London, the need for adequate second home expenses should be in the system.
152. I said there was a final problem, but perhaps there is one final concept that I want to get across, which I hope is this: though this process inevitably has been very painful for MPs collectively as well as individuals, we have to move beyond all this. As I said before, I hope you can assist the public and then Parliament in re-establishing that basis of trust. But part of that basis of trust is that there is a recognition that an expenses system of itself is not immoral or even amoral; it is a necessary part of the functioning of an effective, efficient, democratic parliament. So, expenses are not bad. Abuse of expenses is bad but expenses, per se, are not bad. If we can establish that there is legitimacy in that process then we do something, you in your Committee, and Parliament in accepting the independence of this review, that can move us all on and hopefully put us into a better place than we have ever been.
153. SIR CHRISTOPHER KELLY: Thank you very much. You say in your evidence, and you have just reinforced it in your remarks, we overwhelmingly support the suggestion that MPs need to be removed from the process of setting their salaries and allowances, and I suppose you could add pensions to that as well. Do you think that the arrangements that are now being introduced - the resolution of the House that effectively gives recommendations on pay automatic implementation, and the arrangements being made for expenses through the new regulatory body - are sufficient to

create that circumstance?

154. TONY LLOYD: It certainly provides a basis for a number of things. I think the transparency is now built in to those processes. With transparency I think the kind of abuse that shocked the public -- and frankly shocked Parliament as well, I think. I think you probably, as the Committee, do know that MPs come from a range of different levels of shockability, but certainly Parliament itself was shocked by those revelations. So the transparency and enough externality of audit I think have been built into these processes.
155. In the way you tempt me to do the job that you yourself are trying to do, what we are trying to establish really, in the paper to you, was more in a sense of general principles, because I think actually the public would not understand if MPs themselves got involved in the over-design of detail beyond where we are now, because I think it is more healthy, quite frankly, for that level of detail to be driven externally.
156. SIR CHRISTOPHER KELLY: I understand that point precisely. It does not always seem to have been followed through by some of the party leaders, of course, over the last few months.
157. TONY LLOYD: I may have some particular views on that.
158. SIR CHRISTOPHER KELLY: But my question was more the automatic acceptance of recommendations on pay from the Senior Salaries Review Body does rest on a simple resolution of the House that therefore can presumably be overturned by another resolution of the House. My question was did you think that that process was sufficiently embedded in the system now.
159. TONY LLOYD: There is always a problem with this, because of course Parliament under the Monarch is the law-making body of our land, and thus can always overturn anything, I suppose, that is established at any point in time, so this dilemma will always exist. However, what I do think Parliament does want to move to is something now that is robust, whether it be the SSRB or whether it be some future body, when that body pronounces, that there should be almost a mechanical relationship between pronouncement and ultimate implementation. If we have not got that, then frankly I do not think the public will have confidence.
160. Now, does the present system, a simple resolution, allow for that? I must say I personally - and I am speaking personally and not necessarily on behalf of my colleagues - would sooner that we double-locked the system so that there is a degree of automaticity in what Parliament arranges. I think this can be done in technical ways and I think we did try to do this at some time in the past, but of course one of the realities -- I did hear the comments before about cherry-picking. Occasionally Parliament has actually cherry-picked. We have not always been as self-serving as perhaps the people believe. But I would sooner that I personally could neither be under pressure to cherry-pick nor under pressure to stone-pick, and that the mechanism does guarantee

that I do not have to vote in respect of any individual recommendation; that the process should perhaps devolve out of Parliament the mechanism by which this is done. This can be done either for the following Parliament or whatever. I think a resolution of the House could do that.

161. In the end, I repeat what I said at the beginning, unfortunately no Parliament can ever bind a successor and even an existing Parliament cannot bind itself into the future, so I can never say to you that we cannot undo what in good faith we have meant to do. But I genuinely do think that the direction I think you are inviting me to go into, which is that the stronger the lock on would be for the better.

162. SIR CHRISTOPHER KELLY: Indeed, thank you. One of the other points you lay particular stress on is the desire to make sure that Parliament remains open to people from all backgrounds. What you say is backgrounds, incomes and family arrangements. Where does the family arrangement bit take you?

163. TONY LLOYD: It would, I think, on a number of different manifestations. For example, there are colleagues of mine who see their main home as being in London and who have, nevertheless, a second home in the constituency that may be some way away, who do still try to maintain a seven-day-a-week family life with children - young children, particularly - moving with parents as they move from London to the constituency and vice versa and for whom, in that sense, the maintenance of accommodation is not main home and relevant partial accommodation elsewhere but is actually comparable accommodation in two different locations.

164. By way of example, my children are long grown up and I have a small flat in London. That is totally satisfactory for my purposes, but if I had a young family and brought them down to London, say - or, in the example I gave, the other way around - then the ambition to maintain a proper family life and proper family conduct would be helped by a recognition that we are not trying to squeeze Members of Parliament into a one-bed garret in a dormitory somewhere.

165. SIR CHRISTOPHER KELLY: That is precisely the point, is it not? That if you were going to allow for people with families to have their families with them both in their constituency and in London, you need to allow for a higher size of accommodation than you would for people who do not have those obligations. You deal with that either by having an upper limit which is high enough to allow that, or by differentiating between the family circumstances of different Members of Parliament. In the past, whenever the SSRB has suggested different arrangements for different circumstances, the House has rejected that.

166. TONY LLOYD: I suppose I started with that because you had an exchange with one of your previous witnesses on different Members of Parliament having different workloads. It is an interesting and genuinely difficult question as to how you deal with different circumstances for the

different types of resourcing that MPs need. I suppose instinctively - and again I speak personally; I do not necessarily speak for all my colleagues on this - I start off by being suspicious of the differentiation between MPs on that basis, simply because there is such a huge range of circumstances. I can put forward a case more perhaps on the demands on MPs rather than on the accommodation needs: Scottish Members of the Westminster Parliament having different workloads to English MPs. I do not know whether that is true or not. I think there are a lot of MPs - I may be wrong - for whom the work fills the number of hours in the day rather than the other way around.

167. It would be possible to start looking at MPs in terms of the demand imposed by an extensive rural constituency as being different from a more compact one. But I think I, who represent one of the geographically smallest constituencies in the UK but nevertheless represents one of the poorest inner city communities with the massive complication of multi-ethnic Britain of refugees and asylum seekers and all the demands that those place, would argue that this particular thing can be looked at in many different ways.

168. So I think I probably do start off with the view that it is more efficient to recognise that MPs do have changing circumstances, and that that is built into the system and that if we can build in sufficient transparency to define whether what is available is being used in an intelligent and legitimate way, maybe that is a better approach rather than trying to have a very variable system that is designed to fit all the many individual circumstances.

169. SIR CHRISTOPHER KELLY: To be absolutely precise, in terms of addressing the issues of those with young families, your solution would be to set the limit on the reimbursement of accommodation expenses relatively high but to combine that with a high degree of transparency so people can see whether what the expenses that were being claimed for were a genuine family home or simply a more luxurious flat for a single MP?

170. TONY LLOYD: I think that is right, although I can also make this point. The sort of circumstance that I described before, the one particular colleague I have in mind, I strongly suspect that the second home demand there would not be as high. In this particular case I have in mind, a Yorkshire constituency, as opposed to people who have much more accommodation, for example, for the sake of an accommodation in London, because certainly I pay far more here for something really modest in London than I pay for something more substantial in my own home constituency.

171. SIR CHRISTOPHER KELLY: Thank you. Just staying with accommodation for a bit, one of the issues is whether mortgage interest payments should continue to be supported. A number of your colleagues have argued that they are cheaper than supporting rent, although the statistics do not seem to back that up. It might be true in principle; in practice the statistics do not seem to back that up. In practice, those claiming mortgage interest tend to claim more than those who claim rent. But the argument is often expressed in terms of the consequences of allowing support for mortgage interest in terms of a capital asset that Members of Parliament

acquire, and the way that seems unacceptable to some people. I wondered if you had a view as to whether or not the system should continue to support mortgage interest or whether in future it should only support rental costs.

172. TONY LLOYD: I think in principle the point you made as part of your own question is, is the theory right? Over a period of time a mortgage would be cheaper than a comparable rent, but I do accept that if people remortgage then we could end up with a rather different profile.
173. I think that in the conversations that I have with my own constituents and more generally, that the public objection probably is not about type of tenure it is about this concept of personal gain. It is whether we can take out the sense of excessive personal gain. I think, either way, that really is what, across the expense system, would be the public concern. The perception is that - and I think wrongly in many, many cases - MPs have had extraordinary personal gain out of the expenses system, whether it be through capital gain in property price increase in property values or through the expenses system more generally. So if we can take out this concept of gain above and beyond the necessary expense, then I think it probably matters less what type of tenure people hold.
174. SIR CHRISTOPHER KELLY: By taking out gain, do you mean allowing support for mortgage interest but surrendering the whole of the gain? Is that what you are saying?
175. TONY LLOYD: That would be a way of doing it.
176. SIR CHRISTOPHER KELLY: Which might seem quite a compacted way of doing it.
177. TONY LLOYD: Really, repeating myself, I am reluctant to advise you too much as to the structures that you recommend at the end. I think what I would want to say with this is that I can see that it is possible to achieve something that does not allow for personal gain and then would be tenure blind. I can also see arguments as to why it may be difficult to achieve some parts of that. I do think at the end of this the public has to have reassurance that there is not excess personal gain in the process to restore that sense of confidence in the system.
178. What I would also like to say to you all is this: during this whole process - I do not just mean in recent weeks and months; during the years in which the preset system has developed - of course it has been accepted that property purchase and the use of mortgage interest has been a legitimate part of the system. So if, as a Committee, you were to move in a direction that were to forbid in the future that type of tenure, I would hope that there would be recognition of the need for transitional arrangements, as I understand was the case in Scotland when they reviewed their own system. It is almost obvious to say this, but we are at the moment in any case at a period when property prices are relatively low and where some of my colleagues may be in a period not of capital gain but of capital loss. I think it would be a little inconsistent

with deploring personal gain to say that we approve of personal loss in this process. So wherever you as Committee end up on this question, this need for recognition of transition I think ought to be built in some way into the system.

179. SIR CHRISTOPHER KELLY: I think you can rest assured we well understand the importance of the issue of transition, which has not been unproblematic, even in Scotland. I also understand your desire not to get drawn on some of these issues, but we are an evidence-based body, and a number of people have been saying to us that the only way to restore public confidence is to simply ban the support for mortgage interest altogether. I just wanted to make sure that if we were to end up with that conclusion, we did so fully understanding what the views of you and colleagues like you were on the issue.

180. TONY LLOYD: I am sure amongst my colleagues there will be a range of views in different ways, but I am not sure I am in a position, precisely because of what I am here to represent, to give you a definitive view as to even what my colleagues in the Parliamentary Labour Party think about this issue, except to say there will be different views.

181. SIR CHRISTOPHER KELLY: Thank you very much. Denise.

182. DAME DENISE PLATT: I want to just pick up some staffing issues with you, because you have particularly singled out that the allegations of abuse of the staffing allowance have caused distress amongst Members of Parliament, and we have heard from a number of MPs about the sterling job that family members do do and that those family members are essential to the good operation of how an MP can actually carry out their responsibilities. But it has become anachronistic in the public sector to employ family members, and also in the corporate environment. We heard, and you may have heard, the SSRB say that they, too, have changed their view over the appropriateness of employing family members and we know that other parliaments have moved away from employing family members. Why should our MPs be any different? What is the argument that they should continue to employ family members against the trend going in the other direction?

183. TONY LLOYD: I think the argument would probably start around this observation, and MPs are not unique in terms of what I am about to say: the relationship between a Member of Parliament and the staff who work with them is, by its very nature, a highly personal relationship and does require huge levels of trust. But it is also true, I think, that MPs do place quite extraordinary demands on members of staff. This may be akin to the observation that it is easier to exploit family members than to exploit people who are not family members, and that is perhaps not a conclusion that I want to offer to you too strongly.

184. I think what I would want to establish is that where this practice has applied in the past, and does apply now, many of my colleagues do feel very sensitive to the argument that somehow this has been a bad practice, it has

been a non-acceptable practice, that somehow this has been about the creation of an artificial working contract to enhance family income. I think generally, whilst I think there have been specific examples where that may have been demonstrably true, overwhelmingly that has not been the case. There are many of my colleagues whose partners, spouses, have worked for them over many years and do work very hard and with a degree of commitment, as I say, that may not exist in other working relationships. I think in that sense, almost overwhelmingly, my own colleagues would certainly not want the conclusion to be drawn that retrospectively this is something that ought to be condemned.

185. Where you move from here, I suppose I would say this: again, you will draw your own conclusions and there are certainly different views amongst my own colleagues about whether it is appropriate or not to employ family members as staff. What I would say, though, is this: it is perfectly possible with any staff member, family or otherwise, to have some proper evaluation of the work that they do to establish whether the work and the salary and the terms and conditions are commensurate with the job description and the performance of that role.

186. The question you have to address is almost from the other side, the other way around: is it appropriate to prohibit the employment of family members if those terms and conditions are comparable with those that would be offered to any equivalent staff member. In the end, in any case, if the recommendation were to say that it was inappropriate in the future, again what I would perhaps invite you to do is to look at the need for some form of transition to allow for circumstances of those who either over a long period or even over a shorter period have employed family members, to at least prevent the most unhappy of outcomes.

187. DAME DENISE PLATT: In good employment practice we have had evidence given to us that where a family member is employed it is inappropriate for the relative to undertake the sort of appraisal that you have just outlined. If it is inappropriate but the appraisal and looking at the job description and how somebody carries out their job is an important way of distinguishing that you are not discriminating against someone that does have the qualities to do the job, who might undertake that appraisal in the current system?

188. TONY LLOYD: Can I clarify what you are asking me? Are you asking about appraisal of an existing staff member?

189. DAME DENISE PLATT: Yes, who is a relative where, in other environments, the appraisal being undertaken by the relative would not be a practice that would be supported.

190. TONY LLOYD: I clearly understand the argument that it would be inappropriate if a member were to appraise his own spouse or her own spouse. It might seem a little odd, the robustness of the conclusions that were drawn. I do not personally think I can give you an easy answer. I think there

would be ways that that can be done; appraisal is done in all walks of life now by external sources. It is not difficult to find those who are technically and professionally competent to do that form of appraisal. I do not think there is any particular difficulty in the sense that the working relationships between Members of Parliament and their staff, whether family or otherwise, are not radically different from any other working relationship. I do not really think there are any insuperable difficulties in bringing in that external performance.

191. DAME DENISE PLATT: In the submission that you gave us you said that staff should be respected, trained and paid appropriately, and your recent comments just supported that, and we would agree. But when staff representatives came and gave us evidence, they suggested that that was not happening at present for many of them; that training was absent, that even though there was currently a requirement for contracts to be placed with the House Authorities, that is not always the case. They felt that much could be done to actually support them better in carrying out their job. Why do you think these things are not happening at present?

192. TONY LLOYD: I think in the question of, for example, contracts, the House itself, Members of Parliament, were very slow to insist that this was a uniform requirement. I think once the House did agree that that was necessary, the House authorities were slow to insist on that taking place, and those things should simply not have been allowed to happen. That is historical but it is not acceptable. I do not say this by way of anything other than a recognition that we collectively behaved in an unacceptable fashion.

193. On the question of training, I think the one thing I perhaps would want to say to you -- and I say this perhaps personally rather than in my collective role. My own constituency is in central Manchester; the bulk of the people I employ work in my constituency. There is a difference in what the House can offer to people who are based in Westminster who are in-house who have access to a constant range of training opportunities that are available through the House or through the Parliamentary Labour Party, for example, or otherwise. It is more difficult for those who are constituency based, simply because of both the cost and the time element if things are Westminster based. One of the things that I have asked the House Authorities, in fact, in the past is to recognise that as far as training goes they do need at least to look geographically at postings, since some of those provisions would allow access for others. If you are happy to make recommendations about the training needs of staff, I and others might be very happy to support it.

194. DAME DENISE PLATT: We have had interesting evidence and discussions with people who have come to talk to us about the issue of casework and the balance of activity between a constituency and scrutinising the legislature. The SSRB feel that casework is a growing issue, it may be growing inappropriately and that the more resources that are put into supporting casework matters in the constituency, the more casework will grow because this is a self-fulfilling prophecy. The more staff you have the more casework there will be, the more demand there will be for more people in the constituencies. They would refer to this as a benefit to the incumbent, and to

question whether the amount of casework that is generated is appropriately done by the member or whether the member is moving into areas which other agencies should more appropriately be taking up those issues. It would be interesting to hear your view about that.

195. TONY LLOYD: I have been a Member of Parliament now for 26 years. I can tell you this: I do not think I, in those 26 years, have ever gone out to solicit casework. It would be a nice idea that it would be in my interests so to do, but my office has seen the demands on myself as a Member of Parliament and generally on Members of Parliament increase enormously over the years. Partly because the nature of society has changed in terms of the demands that are generated anyway. Partly society has changed in where it looks for support and partly one of the roles that MPs have increasingly been asked to perform - whether this is right or wrong - is the arbiter of last resort when other systems do not work.

196. You are right to say, of course, that within the casework that MPs take on are those that could be done by some other agencies. If people raise with me, for example, an inquiry about their housing circumstances, in the past it would have been, I suppose, easy to say, since housing was run at the time by the local authority, "Please go to your local councillor". But actually it is much more complicated than that, for a whole set of reasons. Firstly, if somebody comes to a Member of Parliament in any case, there is a relationship between that individual and the Member of Parliament. They look for assistance and it is not illegitimate for them to look for that kind of assistance. With the modern way social housing is done, where the local authority no longer is a major landlord for example, it is not even obvious any more that the local councillor is a better source of advice and assistance than the Member of Parliament.

197. I am sure if somebody came along and was prepared to spend a lot of time with my own staff it might be possible for them to shave off part of my caseload. I could, for example, as an individual refuse to deal with people who are not registered electors. It would be a possibility to say I would not, for example, deal with issues around non-nationals. But I would be very reluctant to do that as a Member of Parliament because I think it would be denying access to our corporate system to people who are vulnerable and who need that kind of assistance there. So I do not buy, in conclusion, into this concept that MPs generally, either by accident or design, allow their caseload to grow to the level of the resources. I think it is almost the other way around: that the demand of MPs over the years for better resourcing has followed the pressures on their officers. In that sense, I suppose I would invite the SSRB to come to my own office or indeed to look at us and we can discuss it.

198. DAME DENISE PLATT: One other argument has been put to us that members of staff in constituencies who are paid to support an MP in their parliamentary duties can drift into party political campaigning, and therefore the taxpayer is paying for party political campaigning and party political activity. Some would go as far as to say that is state funding for political

parties. Do you have a view about that? Do you see it happening?

199. TONY LLOYD: To take those observations, what is clear is that, that is outside of the present rules. It is very clear that the present rules are designed to put a firewall between party activity and parliamentary activity. Sometimes, of course, that is quite a difficult line, because what I do as a Member of Parliament in public, sometimes it is quite difficult to see whether I am doing that as a party politician or as a public representative. The sort of example I would give is if I speak on an issue that currently divides the parties. If I believe passionately that my party is right on this, I can justify this by saying I speak as representative of my community. But there are others who might say that in actual fact I was simply out there as party hack and doing the party's work. So I would caution that there is a difficult boundary but, at least intellectually, it is clear that expenses are not there to drift on to the other side.

200. Does it happen that people muddy the boundaries? I am sure it does but there are many Members of Parliament and I would simply urge you to reflect on the fact that what happens in, let us say, the worst of cases does not happen, by any stretch of the imagination, in all cases.

201. DAME DENISE PLATT: We have quite often seen the Office Costs Allowance be used to buy a succession of digital cameras and other such equipment, and there has been public outrage around furnishings, but the Office Costs Allowance has also been used to purchase very expensive equipment. Do you think that there is an argument that such equipment should be centrally procured and supplied in the same way that IT and other things are, rather than leaving it to individual purchase?

202. TONY LLOYD: Again this is a personal view. I hope not, because I think it would be quite incompetent. It almost seems slightly Soviet if we all have the standard Moscow chair, wherever it might be. Whilst Moscow chairs are long-lasting, they are probably not terrifically comfortable. I think with a lot of the transparency it is not terribly difficult for the public to differentiate between the luxury, all-purpose, electronic, super-duper chairs as opposed to the standard piece of office equipment that would apply anywhere else.

203. In terms of electronic equipment, can I simply say this: I have, as all MPs now do have, my IT equipment provided centrally. I have not always felt that this is the most straightforward process, if I am brutally honest. I am told by those who know far more than I ever will know about IT equipment that we do not necessarily come up with the best solutions because of this central purchasing. Whilst I do totally understand the need to limit excess, to go back again to this context of personal gain or personal lifestyle aggrandisement, I hope that there might be a more efficient way of doing that rather than having to buy your kit in a central purchasing operation.

204. DAME DENISE PLATT: Thank you.

205. LLOYD CLARKE: Could I turn to the Communications Allowance, please. Can I say that the arguments for and against it have really been well

rehearsed in evidence to this Committee already, but what we have not heard is any evidence that the communication allowance actually increases engagement. Could you provide us with any such evidence, please?

206. TONY LLOYD: I suppose it depends on what you think the communication allowance is used for, and it depends in that case on how you assess the engagement between Members of Parliament and their constituents. An awful lot of constituents do say to MPs all the time, and they say to me, this hallowed phrase, "We only see you at election time. They can say that, by the way, last week, even though it is not, obviously, election time at the moment, because the public does believe they only see MPs at election time and not hear from them.

207. I think communicating what I do as an MP, the range of different things that I do, is an important part of my role in terms of at least attempting to demonstrate to my constituents that what I do is relevant to their lifestyles, their interests, and that can take place in a number of ways. I recently, for example, in one of my local wards, invited in the officers of the local residents groups to come and have an exchange with me. Now, I think that is a perfectly rational use of the Communications Allowance to provide --

208. LLOYD CLARKE: I do not dispute that in any way, but the reason for the Communications Allowance, it has been suggested to us, was actually to increase engagement. I am not saying you should not communicate; I understand that point very, very well. But could you not do all that before anyway, using the incidental expenses allowance?

209. TONY LLOYD: Yes, as long as the incidental expenses allowance was not being used for other things, I think would be the answer to that. What you are looking at is the total capacity of MPs to perform their different roles. In the end, again, a lot of these boundaries are not exactly as watertight as people might want to suggest. For example, there are some things I could not have done using the IEP. I could not, for example, have engaged in communicating on a broad base with my constituents, because that was not allowed under the former system. Of course, like all things, if you say to me abolish the gap between the IEP and the Communications Allowance and abolish the differentiation and maintain the total level as is, would it make any difference, the answer is maybe it would not.

210. LLOYD CLARKE: You did say right at the very beginning that Parliament is ready for something which is more robust. Can I try a robust proposal then. Do away with the Communications Allowance as it is, retain the rules and guidance which have developed over the last two or three years, because people say that gives clarity about it, and pay for that communication from the Incidental Expenses Allowance because that was never mitigated or reduced in any event, and we have an ideal system, therefore.

211. TONY LLOYD: Only, though - if I can invite you in return - what you would need to do is look at the spending patterns on the present IEP. If in those cases where people are legitimately spending their IEP -- because I

think what lies behind your question - and I may be picking this up unfairly - is the suggestion that some of the IEP is either not used or is not used in an acceptable fashion.

212. LLOYD CLARKE: No, what I am actually saying is leave the IEP, because, like I say, that was never abated, so you have the same amount of money and it enables you as the sitting MP to have choices on where you actually spend that money; leave the choices to you.
213. TONY LLOYD: Within the same total pot? The IEP plus the Communications Allowance?
214. LLOYD CLARKE: No, do away with the Communications Allowance because, as I say, the incident expenses allowance was never, in any event, abated as the SSRB said it should be.
215. TONY LLOYD: But that only works if there is not then a cost pressure downwards, does it not? In other words, if an existing MP who is spending up to the limit on the IEP legitimately and spending up to the limit on the Communications Allowance legitimately, if you simply bust the Communications Allowance then there will be a shortfall in that budget.
216. LLOYD CLARKE: Can I test this more robust process that we have in respect of the Resettlement Grant. The SSRB suggested that the resettlement grant should be done away with for those MPs who retired or resigned, and that, of course, was not implemented. Can you give a reason why it was not implemented? Can you explain why not?
217. TONY LLOYD: This is a personal comment. The only way I can help you on this is to remind you of what I think my memory says was the genesis of the present system, which goes back to a time when MPs retiring chose to find seats elsewhere, and in fact people found ways around this process. There was one particular case, if you remember, where somebody, who had been a Member of Parliament for a seat with a strong majority for that individual's party, fought a seat that was hopeless.
218. LLOYD CLARKE: Yes, absolutely. So if rules could be developed to prevent that, then there is no reason why the Resettlement Grant should be paid to people, like I say, who retire, who know that they are going to retire, or who resign and give notice of that. There is no need for them to have the resettlement grant.
219. TONY LLOYD: There is no need to have the Resettlement Grant. I suppose I would say this to you, would I not: that the point was made in your earlier exchange with the SSRB that you need to look at MPs and not just their expenses. I am talking about the total package for Members of Parliament as it affects them individually: salaries, pensions and resettlement at least that considerably touches on conditions of Members of Parliament. So in terms of that total package, if that is looked at in that total way, if the decision were to get rid of the Resettlement Grant, then I do not think I could argue on the basis

that it ought to be retained for those who choose retirement.

220. LLOYD CLARKE: Thank you, and one final question. We have heard this morning from the SSRB. Particularly in the written evidence that they gave to us, they are suggesting that there is no longer a justification for paying travel expenses for spouses, family members, et cetera. What is your response to that proposal?
221. TONY LLOYD: I think I would ask you to look very carefully at whether that is reasonable or not. An MP representing a non-immediately accessible to London constituency spends probably half their life away from the family home, physically away from the family home. Is it really so terribly unreasonable to say that as part of the conditions of maintenance of family life that there is an acceptance of some cost around all that? You consider this to be a part of the package of remuneration of MPs, but actually having access to your children is not such a terrible thing for MPs to want to do, and having access to your spouse or partner is not such a terrible thing.
222. LLOYD CLARKE: So, actually, the payment of spouse, partner, family members, you are saying that it should come out of the public purse to help maintain the life of the MP, the family life of the MP?
223. TONY LLOYD: Yes, I think in fact I am saying exactly that, that it is not an unreasonable thing to say that one of the consequences of the way of life that MPs have to live in order to fulfil their public duties means either separation from their families or that there should be recognition of the need to at least try to ameliorate that situation. So I think there is a justification, actually, for maintaining those alliances.
224. LLOYD CLARKE: Thank you very much.
225. DAVID PRINCE: I would like to turn to outside interests. You say in your statement, and indeed your opening statement, that the job of an MP is a full-time job. Do you imply by that, that MPs should never have second jobs of any sort?
226. TONY LLOYD: I think there are certainly strong feelings amongst my own colleagues that the public believes that we stand for election on the basis that we will be full time as Members of Parliament. I think again, if you will forgive me, I probably will not come to a conclusion because there will be different views amongst my own colleagues. If you look at what my own colleagues do, you will find there are different practices amongst different Labour MPs so I do not think it would be fair for me to draw the conclusion as to whether there is an absolute in all this. But I would simply repeat that MPs do stand for election on the basis that it is a full-time job, or at least their primary job.
227. DAVID PRINCE: If they do have other jobs of any sort, do you think their pay should be abated accordingly? We were exploring that with the

SSRB, I think, when you joined us.

228. TONY LLOYD: I think what I would say to you, really, is it might be the wrong way of addressing the issue, because if we work on the assumption that an MP does -- whatever conclusion you draw about the way in which MPs should be allowed to engage in outside paid activities, I think what I would hope it would do is to establish the primacy of the role of MP as being the prime role. To say that we abate pay suggests in fact that we get a part-time MP and that an MP would be justified in putting something less into the parliamentary role. I do not think that is a reasonable relationship between the parliamentary system and the public to say that we accept that as a principle. I think rather we should be saying that the public's expectation is that MPs are paid for being MPs and how you deal with the second job ought to be done in a different way.

229. DAVID PRINCE: I wonder, really, whose job it should be to decide whether an MP should have a second job, whether it is anything we should recommend or actually whether it is a choice the electors should make in the light of all the information. Everything should be disclosed and the electors decide who they want and leave it to them if they see the quantum of jobs increasing. What would your view be on that?

230. TONY LLOYD: Again I have some difficulties. I can give you a personal view, because I do not think I am probably in the right place, as Chair of the Parliamentary Labour Party, to give you a personal view. I can only reiterate what I said, that if you look at the patterns of my colleagues you will find different views on this and there will be strongly-held views on different sides of that. Some do believe that MPs should have no second job, some people clearly do have second jobs and therefore take a different view. That said, I do not think it is illegitimate for you as an external commission of inquiry to have a strong view on the nature of the legitimacy jobs. I do not think it is helpful, but it is my personal view.

231. DAVID PRINCE: Something that follows on from what you say is that constituents believe they are voting for someone who is going to be their full-time MP. What about the situation when people become ministers, when they both have to look after their constituents and have a very heavy responsibility with their red boxes and so on? Do you think ministers should separately account for the time they spend on departmental business and what they spend on constituency business thereby giving constituents the opportunity to see that split and get a sense of whether they have a full-time MP or a full-time minister?

232. TONY LLOYD: I once was a minister, and I think the reality is this: of course there are problems of time management in what, effectively, are two very important roles. I think our system does work better by having that process of the majority of ministers being at the same time sitting members of the House of Commons, because it is the way in which our system has developed over those years. Of course, you could have an entirely different system. We could operate on the American system where there is total

separation between members of the executive and the legislative, or even the French system where people resign their parliamentary seats once they become ministers. But that is not something that I think would find much support in this country. It is not an active topic of discussion. I think, for the most part, ministers compensate by working very, very hard in those two roles.

233. This of course does reflect back on to your original question about the nature of people having more than one role anyway, but the most important thing, I suppose, is that any Member of Parliament has to account for the stewardship of their purely Member of Parliament role to their constituents. In the end there is at least a strong sense that it is constituents who will be the final arbiters of whether they think they get good value out of somebody operating as an MP and a minister and whether they feel that they are serving their needs as constituents in that dual role.
234. DAVID PRINCE: So your overall view is really it is a matter of full transparency: the electorate should be able everything that anybody does in whatever role they are in, and presumably what they get paid for it as well, if they do get paid?
235. TONY LLOYD: And we still have the original question about the second, external job. I think the ministerial job is qualitatively different because it is in the nature of the relationship between our parliamentary system and our executive. So there I cannot come up with a better answer than saying that the maximum disclosure and the maximum exchange between constituents and the Member of Parliament double-hatted as minister is the only way of resolving whether the public are happy or not with the arrangement.
236. DAVID PRINCE: Thank you.
237. DR ELIZABETH VALLANCE: You have talked about the importance of transparency and openness in relation to all expenses. Do you think, therefore, that it is logical that all receipts should be published?
238. TONY LLOYD: I do not think this is particularly -- is this in reference to this whole question about what was an what is not redacted, or is it --
239. DR ELIZABETH VALLANCE: Yes, I was going to on to ask that, but the first part of the question is about receipts. Do you think that everything should be receipted? It is a bit difficult to claim transparency without it, is it not?
240. TONY LLOYD: I understand that. In the end - and I speak personally on this - yes, if I have to keep receipts for three pence then I suppose I will end up doing it. I think there is a *de minimus* view in all this as well, though, that says is it worth the cost of the administration to pick up at a very limited level.

241. DR ELIZABETH VALLANCE: But it is what other people do, is it not?
242. TONY LLOYD: In the end I think that what I would say is that if you, as Committee, decide that that is the way we ought to go, then MPs will have to live with that. I would only invite you just to question at what point there is a trade-off between the need for transparency -- let me say unconditionally that transparency is important and -- I do not want to use the word "pettiness", but the cost of maintaining a system that looks at very low values of money. I think the argument about transparency is this: if the argument is that we are trying to set up hurdles which we hope can eventually trip up some MPs and we can catch them out, then, yes, overwhelmingly every little receipt ought to be double-receipted, signed in triplicate and all the rest. If the ambition is to prevent abuse of the system, then you might want to draw a slightly different conclusion about the level at which abuse can --
243. DR ELIZABETH VALLANCE: You might indeed, or you might say it would encourage people not to put in for their newspaper or whatever because, as you say, it simply would not be worth keeping the receipt. Indeed, that is the kind of decision that most people make in deciding what they will claim for in their expenses. You know, if it is a sandwich you probably do not put in for it.
244. TONY LLOYD: I think if you look at my receipts you will probably find it difficult to find a newspaper or a sandwich amongst them.
245. DR ELIZABETH VALLANCE: Thank you. Can I then go on to your views on the level of redaction that would be appropriate? Are there any reasons for these blacked-out spaces?
246. TONY LLOYD: I think one of the things that was rather unfortunate in the public debate, or at least the media-generated debate on redaction, was the view that it was MPs who themselves had made decisions about redaction. In fact in my own case the only comment I made about my own receipts was to put something back in the public domain, not to take anything further out. The decision about redaction was made, as I understand it, on advice of the Information Commissioner.
247. DR ELIZABETH VALLANCE: But in theory are there any particular areas which you think should be covered by redaction? It has been suggested to us, for example, security reasons.
248. TONY LLOYD: Sure. There has been a heated debate amongst my own colleagues about whether addresses should be published, because people do feel that -- well, specifically, there have been a number of occasions where individual MPs have had unfortunate experiences with members of the public, stalkers or equivalent, so there is a feeling that there is legitimacy in addresses being confidential. Ditto, clearly, personal information that would allow access to identity theft or to fraud: bank account details, those sorts of things, I think, are legitimate.

249. DR ELIZABETH VALLANCE: But it is perfectly possible to factor that in to any IT program to allow these things to be covered. But there is no other area that you think, apart from perhaps security, should be redacted?
250. TONY LLOYD: Yes, there are. For example, my employees have a right to protection of information about themselves, personal information about themselves. They as employees are no different to employees in any other organisation.
251. DR ELIZABETH VALLANCE: Names or addresses? Other public employees would be there.
252. TONY LLOYD: My employees' names are on the public record but their home address, for example, should not be; their private telephone numbers, for example, should not be. That sort of information I think is legitimate to protect.
253. DR ELIZABETH VALLANCE: Thank you. Can I just ask you one thing about the Parliamentary Standards Authority and how you feel about that? Do you think this is a good way forward, the establishment of an independent authority or body to oversee MPs' expenses? Do you think this will solve the problem?
254. TONY LLOYD: I think most parliamentarians now accept that if there is not externality and independence in this process then the public are not going to be reassured that we are really serious about making proper change from what has happened in the past, nor are we prepared to travel into the future with those bodies that will make sure that we conform to the rules. I understand from the previous exchanges that you had in previous hearings, that you have had some discussion as to whether there is a cultural problem or a systemic problem. I must say I tend on this to be very much on the systemic view. In any situation there will be people who will operate with the human range of behaviours, whatever you read into that. I think we need to devise a system that is proof against those who would take advantage.
255. Part of the reason for saying that is because my own best protection for myself is that the public knows that I could not actually manipulate the system to my own advantage. In that way, I am not asking them necessarily to trust me but to trust that the system will not allow me or others to do wrong, partly because at the moment the unfortunate thing is that a lot of the public do believe that all MPs are guilty, they are just not quite sure yet as to what they are guilty of. The way of making sure that we do not ever again have to live through that situation is to have sufficient independence in the external system that gives reassurance both to MPs but, most importantly, to the public that the system is not tamperable with.
256. DR ELIZABETH VALLANCE: Just very, very quickly, the new body would be appointed by Parliament. Is that rather an undermining of the potential objectivity and independence of the new body?

257. TONY LLOYD: I think this is something that comes through on every occasion. If I could throw this back and take this in a gentle way, by definition with a committee like your own you are appointed through a process that could lead to the accusation of pal-ism or whatever. The measure and the merit of any body is the way in which it approaches its own work, obviously the people who are appointed anyway, their own individual reputations and histories and backgrounds as well as the performance into the future. But any body, really, even if appointed by external good and great and not Parliament, can come up with the same kind of criticism that it is the old pals who are operating to look after each other. That is not, frankly, in my interests to see that. But I do not think the appointment by Parliament necessarily is in the end going to be cutting edge. It is going to be people and the way in which they engage.
258. DR ELIZABETH VALLANCE: Thank you very much.
259. SIR CHRISTOPHER KELLY: Is there anything else you would like to say to us?
260. TONY LLOYD: No.
261. LLOYD CLARKE: Forgive me, could I just ask one question. I know that we have gone over time, but in your written submission you said to us that change should only be effective from the moment of adoption and not retrospectively. I understand what that means but can I just test it in respect of, for example, the Resettlement Grant. If we made a recommendation to change the Resettlement Grant, it could be said that it will apply within the spirit of what you have said there, because that is something in the future. Would you accept that as being what you intended to say there, or are you saying that that should not be adopted, for example, for MPs sitting at the moment?
262. TONY LLOYD: I think you could look at a number of different circumstances, just to make it slightly complicated. For example, if somebody were to say to a soon-to-retire Member of Parliament their pension circumstances must change dramatically, that would be quite a radical change that would need either enormous justification or would be unacceptable. Certainly access is a different category within all this. I think what we had in mind there was much more, for example, the question that I think Dame Denise asked about: family members, or around those people who already have existing commitments around, for example, a mortgage, where these are not simply things that can be hived off --
263. LLOYD CLARKE: No, and presumably you are talking about the transitional arrangements for those kinds of issues.
264. TONY LLOYD: Yes. So in answer to your question, the Resettlement Grant clearly does not have the same impact in terms of existing commitments.

265. LLOYD CLARKE: Thank you very much, I understand that.
266. SIR CHRISTOPHER KELLY: Mr Lloyd, thank you very much for coming to see us. We will resume the hearing at 2.00pm.

(Break)

ROGER GALE MP AND MRS SUZY GALE

267. SIR CHRISTOPHER KELLY: Our next witnesses are Mr Roger Gale MP and Mrs Suzy Gale. You are both very welcome and thank you very much for the evidence from both of you, which was extremely interesting and valuable for us. You are the first and only, I think, husband and wife team from which we are taking evidence, although some of your colleagues have brought their wives with them to sit in the front row and observe proceedings.
268. Can I start with a general question which is, Mr Gale, you have been in Parliament for over 25 years. Did you have any idea about what was going on?
269. ROGER GALE: I think every Member of Parliament thinks they have a fair idea, which is about a million miles from the truth. I think when you arrive in the House of Commons it does not matter how much you think you know about it - most Members of Parliament have visited the House on many occasions probably before they become Members - when you start doing the job there is no job description for a start; there never has been and, please God, never will be. It is what you make of it.
270. SIR CHRISTOPHER KELLY: I meant really were you aware about the abuses that some of your colleagues were involved in?
271. ROGER GALE: No, and I do not think that was so, but bear in mind 26 years ago most of the largesse that has been made available since, for a variety of proper purposes, simply did not exist. My salary was a third of what I had been earning in the private sector and my wife's was cut by 50 per cent.
272. SIR CHRISTOPHER KELLY: Do you have an explanation as to how it is that so many of your colleagues did abuse the rules?
273. ROGER GALE: First of all, I am not entirely convinced that so many, as you put it, have abused the rules. It is certainly the case - it is apparently the case - that a number of people, but I suspect far fewer than has been suggested, have seriously abused the rules. What people have tended to do, I think, is to work within the rules as they have been. It is no great secret, I think, that from the days of Bob Mellish and Harold Wilson onwards, parliamentary expenses were paid, effectively - actually that is not correct either, allowances, because they were allowances not expenses - in lieu of salary and people were encouraged to claim them, and did.

274. SIR CHRISTOPHER KELLY: We are going to turn to employment of family members in a minute, but can I start with a couple of questions about accommodation. You live, I think, in Tooting?
275. ROGER GALE: I do now, yes.
276. SIR CHRISTOPHER KELLY: That is quite a long way from Westminster, longer than many of your colleagues.
277. ROGER GALE: At the times that I travel, which is very early in the morning because I am too mean to pay the congestion tax and also because it is a good time to work, and at the time that we all go home at night, it is 15 or 20 minutes.
278. SIR CHRISTOPHER KELLY: The obvious question is do you think that all of your colleagues could therefore live in cheaper areas of London?
279. ROGER GALE: No, certainly not. That is a fundamental point: there is not a one-size-fits-all solution to this. First of all, a lot of members - and indeed we, when I first started - had a house in London. We had to sell our house in London to buy a house in the constituency because that is what we promised we would do, and in those days you could not use the allowance to pay a mortgage. So we sold up at very considerable expense over the years, but nevertheless we did it. But we had a young family. Now, the requirements of Mr and Mrs Gale 25 years ago with a young family, the youngest of which was 2 years old, were very, very different from the requirements of Mr and Mrs Gale today, so you cannot say there is one solution to this; there is not.
280. SIR CHRISTOPHER KELLY: I was going to come on to family issues in a minute. The point I was trying to get to was, as you say, living in Tooting your journey is only 20 minutes. On the face of it, that would apply to people whether they have young families or not. It would make it possible for Members of Parliament to have their second homes --
281. ROGER GALE: When I was first elected, our family was in Fulham and that is perfectly commutable and we owned the house so of course we lived in it. When we were very first elected, and subsequently for a period of time, because she was infirm and needed looking after, I stayed in a flat in my mother-in-law's house. That is perfectly doable, but what I think we have to try to impress upon the Committee is that there is not one solution to this. A lot of Members of Parliament from the London area and a lot who have gone out of London to represent parliamentary constituencies nevertheless have businesses, homes, professions in London, or have had, and therefore their main home is automatically already in London. Others, coming in from way outside London, do not have a London base at all but they may well have young families. They may choose to want to bring young wives and young children to London with them, and the idea that you can buy a county hall and turn it into some sort of barracks block for Members of Parliament I think is hideous.

282. SIR CHRISTOPHER KELLY: I was not asking that question, and there are other objections to it other than young families, including the fact that it would mean that Members of Parliament move from one institution to another. The question I was asking was a very specific one, which is the issue of accommodation for those with constituencies outside London is often expressed in terms which suggest that Westminster or somewhere quite close to Parliament is the only option, and your experience seems to suggest that the options are rather wider than that, accepting your point about the diversity of MPs.
283. ROGER GALE: It does depend very much upon your parliamentary duties and what kind of home life you wish to have and indeed are able to have. A government whip may be on duty all the hours in the House that God sends. Now, if you have done all of that all day, you do not maybe want to spend a lot of time travelling back to anywhere other than five minutes down the road. If you are going to be on duty late at night and you have a young family and it is possible for you to get home and put your kids to bed and read them a story or to have a meal with them because your home is only five minutes away, then I find that totally acceptable and I would hope that your Committee would find that acceptable too, and indeed desirable.
284. SIR CHRISTOPHER KELLY: The point about needing to ensure that the House is open to people at all stages of life and from all backgrounds has been made to us quite frequently. Where it seems to run into the sands is when someone suggests that that implies you need to recognise differentially the position of, for example, people with young families.
285. ROGER GALE: I do not think you have to recognise it differentially, with great respect. I think if you take out of it the obvious suggestion of abuse, the system that has existed by and large should work. If it is properly implemented and if it is properly respected by members who are by and large honourable, then it should work.
286. For a period of time I had a flat in South London, in Lewisham. We chose Lewisham because my youngest son was at school in Kent and it was possible for Suzy to bring him up on a midweek evening. I could see him, he would go scooting off at the crack of dawn in the morning and still be back in Kent in time for school, so we chose South London for that reason, for domestic reasons. We kept that flat until our domestic needs changed, until the children had grown up and we did not need that facility. I have no burning desire to claim for or rent a huge property somewhere that is not what I need now.
287. Again, with respect, if you offered me 15 years ago the accommodation that I am living in now I would have said it was wholly unsuited to our needs. It would have been. So if you take the fundamental system of a figure, whatever that figure is, and say, "Within these bounds this is what is acceptable in terms of interest on a mortgage, or rent", whichever you finally decide you are going to come down in favour of, and if that is allowable, either for a home in London or of course for a home in the constituency, because it

may be that you already have a home in London -- and I hope nobody is going to suggest that you should not be able to claim anything for a home in the constituency, because if your constituency is in Bradford ...

288. SIR CHRISTOPHER KELLY: I do not think you need to erect that particular straw man. I am afraid I am still not getting the answer I am looking for to my question, which is that expenses are there to reimburse the costs of doing the job of an MP. If you are an MP who is single you have different costs in providing accommodation for yourself than if you are an MP with a young family. There are two ways of approaching that: one is by having a ceiling on accommodation expenses which is high enough to encompass all eventualities - and then it would not be very surprising if large numbers of people claimed, as they have in the past, close to that maximum - or you recognise that there are different needs among different MPs and you compensate people differently.
289. ROGER GALE: I do not see how you can possibly fairly means-test, which is what you are effectively saying, one Member of Parliament, male or female, as against another. People's domestic circumstances change, sometimes very swiftly indeed. Men and men form partnerships, women and women and women form partnerships, they then separate. Men and women have children, in or out of wedlock. Sometimes marriages break up. This job is known as a marriage wrecker, for very obvious reasons.
290. I think, with great respect, you are going down the wrong road. I think there should be an allowance and it should be properly policed and I think, frankly, for anybody to suggest that after all of this many members - which I think was your phrase not mine - would be likely to claim up to the hilt is simply not very likely.
291. SIR CHRISTOPHER KELLY: I am not going down any roads at the moment and I was not making a prediction about the future; I was just stating a fact about what has happened in the past, which is large numbers of MPs claiming close to the maximum that was allowed under the arrangement.
292. ROGER GALE: Sir Christopher, if you are saying that a Member of Parliament claiming £23,000 a year to pay the interest on a mortgage is wrong, then the answer to that is you lower the limit. But I do not think anybody has suggested yet that they, and there are significant number of Members who are doing that, are somehow acting improperly because they are acting within the system as it is.
293. SIR CHRISTOPHER KELLY: I was not suggesting that at all. I was asking you a question as to whether you think that having a single maximum is the right way forward, and I take it from your responses that the answer to that is yes.
294. ROGER GALE: Yes, simply because I do not think a variable maximum, which I suppose is what you are suggesting, is a practical

alternative.

295. SIR CHRISTOPHER KELLY: I am not suggesting it, I am exploring it, and I am conscious of the fact that Parliament has legislated in other areas to recognise different family circumstances where public money is employed. But I think we will have to agree to leave that where it is.

296. DAME DENISE PLATT: I want to come back to where you started, because you talked about the salary being different now and the allowances being different now. In your submission you said that both of you took pay cuts when you entered Parliament. How does MPs' pay compare today? Is there a better staffing allowance available now and is it an adequate staffing allowance?

297. SUZY GALE: It is certainly adequate now; it was not when we started, not in terms of myself but in terms of the volume of work that has grown. I think there was a time when I actually did put a request forward that perhaps this could be looked at and reviewed, because I was working in the boiler room at home at that point and it was very small. This poor man came down from the House and had a look and was absolutely horrified. There was not actually physically room for anybody else there. Life has certainly got a lot better since we were first of all able to employ a part-time secretary, then a full-time secretary and we now have a full-time and a part-time and myself. Every hour of the working day is used. The workload has grown phenomenally and I reached sort of saturation point when I was working on my own; I could have been working anywhere and it would not have made any difference. That side of things had become a great deal easier.

298. We maintain that actually a maximum, really, of three of us in the office, with some voluntary help, gets us by. We are very fortunate; we have a lady who has retired who will step in if any one of the three of us is on holiday. But larger than that you begin to lose control. We are almost telepathic; we have been together a very long time. We are in the position we always know what is going on, and if I pick up the telephone and say, "Hello, Mrs Bloggs", my colleague will quite often be in the filing cabinet as I am speaking, getting Mrs Bloggs's file out for me or looking it up on the computer. We are very much a close-knit team and, yes, life on the working side is very, very much better.

299. DAME DENISE PLATT: Very different. It is interesting and these are issues of personal choice and I realise that you must have made a personal choice, but if that level of staffing allowance had been available when you were newly elected as an MP, would you have made the same choice to become PA, office manager, assistant?

300. SUZY GALE: I made the choice at the time. I just reiterate what Roger would say: every single Member of Parliament's office, I think even to this day, is different. Certainly when Roger was elected - and I am just putting a bit of history behind it - there was no manual about how to be a Member of Parliament or how to run a Member of Parliament's office. I mean, you could

not get office space in the House to start with, so I started working from home in the spare room and using the bed, literally, as a filing cabinet and eventually was allocated space in the House. This is when we were still sort of in the transition period from London. But, yes, in my case, because I was running a political organisation with quite a lot of evening work, we really would never have met at all, and it seemed the most sensible thing. We shared an interest in politics, we shared, I think, very much the same passion about the job and so it seemed the most obvious thing to do was to go and work for Roger.

301. I think in the first few weeks or months one could have called it slightly rocky at times, because Roger had been in television and I had been used to running my own office and there were one or two small disagreements. But then on the plus side he would sometimes dictate a letter and I would know what he was going to say next before he even said it. And obviously there would be times when I would be asked to write letters for him and he would sign them and people would just say you could not tell the difference except perhaps you were a bit more enthusiastic sometimes. It is very much a team effort and we had our ups and downs but I do not regret any of it.
302. DAME DENISE PLATT: Given that experience, is there room for a start-up allowance? You described going from nought to quite a long way in a very short period of time. There are now better staffing allowances, but if you are a new MP is there room for a start-up allowance to do the things that you did?
303. ROGER GALE: It depends so much on how you are going to run your office and this is again, I am afraid, why we have to say there is no one size fits all. Thanet is very different from Whitney is very different from Dumfries is very from Liverpool. Garston is different from St Ives. We have a high-maintenance constituency. I say "we" advisedly, because we work together. We have a lot of people with a lot of problems requiring a lot of attention all of the time. In some constituencies, in many constituencies, that is probably not the case.
304. So the way that we work, and the fact that I have chosen to base my entire parliamentary operation -- I do not have, other than my own office, any staff in the House at all. I have a box room over the House of Lords which, when I first went into the House, used to have four of us in it. It is now my empire. It is about 12 feet square, but it is fine; it works. Everybody else is based down in Kent because that is where we need the people.
305. You asked, Dame Denise, about salaries. When we very first started, salaries were very low. I ought to know exactly, but I think my starting salary was about £18,500 in 1983, and I had been earning about £60,000 a year as a television producer and director. I would freely concede that, as that, I was probably overpaid but that is what I was earning. Suzy's salary went down by 50 per cent to about £8,500 as a secretary. But in those days it was not only permissible it was expected that Members of Parliament would probably have outside interests. If I had come into the House ten years earlier the salary would have been a lot lower and it would have been inevitable that to survive

you would have had to have had an outside interest. I do not think that particularly desirable, because there is no doubt that it did exclude some people who have subsequently come into the House because it has been financially possible for them to do so whereas it would not otherwise have been.

306. But changes have sometimes conflicting effects. That has made a lot of things more possible, the increase in salary, the increase in resources, the increase in staffing allowances, the increase in what is now known as incidental expenses provision, office costs. All of those things have made a difference to the way in which we are able to work, but as Suzy said, the volume of work has gone up dramatically. We are now turning around between 100 and 150 pieces of communication a day, whether that is by paper or by email, but it is a lot. What it has also meant is that because the salary has gone up in the way that it has and because we are told we have to be a full-time MP whatever that means -- a journalist told me the other day she thought it meant 48 hours a week. I said, "I wish". I do not, actually.

307. But the opportunity for outside employment has diminished and is now, in any event, frowned upon by the media and by the public because of that. So what we are moving towards, which I think is highly undesirable, is a cadre of almost elected bureaucrats, of people who have gone through a political system, and very often they are coming into the House with no practical experience of life or business. That is a change from the days when there were people who had been down mines, worked on the shop floor at Longbridge, run a small shop, been a teacher, served in the armed forces and brought all sorts of wealth of experience to the House, and I think that is sad.

308. DAME DENISE PLATT: I think we will be coming back to that in a few moments, but can I just touch on the issue of the employment of family members, which you clearly are. We have had a lot of differing views and strongly-held views around employment of family members and whether that should continue. Clearly in other parts of the public sector and the corporate sector and indeed other parliaments, people are moving away from the practice of employing family members directly. Can you give us your views as to why it might be different for our MPs and why the trend should continue for our MPs?

309. SUZY GALE: I do not have a lot to do with other working wives or family members, apart from when I was first working in the House and I certainly shared an office I think, in those days, with Paddy Ashdown's daughter, who was quite a lot younger than I was. But I believe now, after 26 years, I have never regretted a moment of it. But for many reasons I think we can work together. We promised Roger's constituency a team and I believe we have given them one. I do not interfere with his work in the House, but I handle a great deal of the constituency work.

310. The constituents like talking to the Member's other half. Whatever you say, you are more involved than any staff member, however dedicated. They can shut the door at the end of the day, but a wife is a wife, and a wife working

for her husband I think is invaluable. I do not say that because I am who I am, I just do firmly believe it. You get, if you like, two for the price of one, not financially but you get this very deep level of commitment and interest. I think I said in my submission, and obviously I cannot go into any detail, there are just certain cases that, quite honestly, it would either have to be Roger dealing with it or, if Roger is not available, that the other half can cope with very, very sensitive cases. As I say, I am sorry I cannot give any details but it would not be fair. But there are certain things, some I have even followed for years, that you could not expect a member of staff to have to handle.

311. We have always been of the view that my colleagues should be slightly more senior in years as well, because people come to Roger with anything and everything, some of it deeply distressing, some of it very offensive. We can deal with, shall we say, slightly difficult members of the public sometimes, and you could not expect perhaps a younger secretary/PA, whatever, to deal with this. You do need to sometimes be quite tough - firm but fair - and I think we give that service as an operation and as an office. But I regret none of this and I would be very sad -- because of the reasons as well that Roger has given, that it is a job of total commitment for a Member of Parliament, be they male or female. It is not a political thing at all. It is something we have been able to share and work at together. Yes, it may be unusual in this day and age, and the public perception one can understand, but if you want Members and their other halves or partners to stay together, it is something that is worth consideration and I am very, very glad we have done it. I had my own career and I would have gone on working.

312. DAME DENISE PLATT: Two-thirds of your parliamentary colleagues do not have such an arrangement and yet are effective and presumably have similar cases to those you have described. Is the relationship the essential thing or the abilities of the individual staff member?

313. ROGER GALE: To some extent it is going to be abilities. Suzy was a fully qualified trained political agent before she came to work for me but before that she was a fully qualified PA secretary with proper shorthand skills and all that went with that kind of PA training so I am very lucky. I could not have done the job - and I could not do it now in a way that I choose to do it - which is not to say I could not do it at all if it did not have her help. One of the things that concerns me, is that we could face the situation that we are going to throw the baby out with the bathwater. To mix metaphors: to try and mend something that may need fine-tuning but is not broken.

314. The comparison has been made with a small business and I do not think that is a good comparison at all. The comparison has been made with other legislators and most of those are not good comparisons either. The American congress is a very different animal. If I was a congressman I would immediately, upon election, have a staff of about 14 people and then another 4 for every committee that I serve on and I would be followed around by teams of people taking notes and writing letters and I would not see any post. I open my own post, quite deliberately; I want to see what is coming across my desk.

I process it and then I send it off to my team and they do the rest.

315. Our Parliament is hands-on in a way that most other legislators are not. A French Deputy in the House of Representatives in France would not do what we do in the way we do it so it is not a fair comparison. The possible comparison in professional terms is not the small business but is what used to be the hands-on very personal contact general practitioner who hitherto very frequently employed his wife as his receptionist/secretary/girl Friday and everything else. It is much more that kind of relationship than a small business relationship.

316. DAME DENISE PLATT: A relationship which has also gone.

317. SUZY GALE: But I think also there are many competent people around who I am sure could do my job but there is this very great degree of trust because of some of the difficult things, we may want to talk it through. Yes, he could talk it through with the girls in the office but most of the time the tricky ones he will talk through with me and I may be able to come up with suggestions. I have no fears about being re-interviewed for my job. When I started it was accepted practice that Roger could employ me because I had the qualifications but the only thing they might have over me is they might be a bit younger but I do firmly believe I would stand up all right in interview. If somebody said, "Okay, we are going to start again. Any Members of Parliament who want to employ members of their family, you have all got to be interviewed for your job" I do not mind.

318. DAME DENISE PLATT: In your submission, Mrs Gale, you said that one of the reasons MPs have given us around employing a spouse is you can travel together for much of the time but in your submission you said that as communications have improved it has become possible for you to work fulltime from home. So, does that mean there is not a significant advantage for those reasons for spouses to work together --

319. SUZY GALE: I go and work in an office; about 20 minutes away. We got all the children married off but we now have two thumping great dogs who require a certain amount of attention so I have commitments at home but, yes, I pop up and see Roger. I bring work up. If there is anything to do in London I come up and do it.

320. DAME DENISE PLATT: But it can be done at a distance now?

321. SUZY GALE: Yes, and in a way, why not a working husband or wife, even at a distance so they have that involvement.

322. DAME DENISE PLATT: You mentioned the increasing case work that you have and, as you have said, there are as many interpretations of what the job of an MP entails as there are MPs. But we have heard from the Senior Salaries Review Board their view that the growing amount of case work is a self-fulfilling prophesy really that the more staff you have the more case work you will have and, therefore, it will continue to grow. And that perhaps the

focus of the MP on the balance of attention is, therefore, in a different place and that the focus of the attention ought to be the legislature and that there are other agencies that should more appropriately take on case work which MPs are now being asked to take on. I would be grateful for your views on that about where the balance of attention should be.

323. SUZY GALE: It is interesting you should bring that up because playing it the way Roger decided to play it, which was to be very much a constituency Member of Parliament, because we do not promote him as such but when somebody comes to him for the first time we send them a little post card with our contact details and you get this sort of ripple effect, which is the problem, that the more you do, it grows. So, the more help you offer the more the word gets around that, "That MP is a good bloke, whatever party" and more people come to you. It is extraordinary how hard work generates more hard work.

324. DAME DENISE PLATT: I think that is the SSRB's point, and the point they would go on to make is, is it appropriate for a constituency office to take on those responsibilities? Or should a local councillor take those on? Or a Citizen's Advice Bureau or are there not other organisations that should more appropriately take some of the things you get because of the way you operate?

325. SUZY GALE: We are dealing with people here; human nature. Roger, in his constituency, has on the whole a very good reputation and people know they will get a hearing and they will get help wherever possible and we never turn anybody away. Yes, we may pass them on to a councillor but we get the CAB referring their difficult cases to us. That is what we are here for. I keep saying "we" but you have this sort of frightful double act but that is how we believe that the job should be done. There are some desperate people out there and it is lovely they feel they can come and get onto Roger and at least get a sympathetic ear.

326. ROGER GALE: But it does depend upon the constituency to a significant degree. I need to make the point again: it is the horse for the course. What I know is you cannot put the genie back in the bottle. There was a time when Members of Parliament were legislators. There is a wonderful minute in a West Country Conservative Association diary that is reputed to say, "And the usual arrangements will be made for the Member's annual visit to the constituency". It does not work like that now. We are expected to be there, we are expected to be accessible, we are expected to be hands-on and depending on the social demands of the constituency - I have one of the highest areas of social deprivation in the southeast - therefore if I was an inner-London constituent, if I was an inner-Liverpool or Manchester or Birmingham constituency MP, I am sure I would be facing exactly the same problems I am facing in North Thanet.

327. Now, that is not so in every constituency in the Country so given that the expectations have been raised, that you now go to the Member of Parliament as the first resort rather than the last resort because he or she is the person that you can find, what are we going to do? We are not going to

say, "Go away. That is somebody else's job". Yes, where local councillors can help we use our local councillors and we have some very good ones. We use county councillors and we have some very good ones, and we use our Members of the European Parliament only occasionally because the case work tends not to relate to them so much but we use them when we can. We use the other agencies, we use social services, we use general practitioners, we use dentists, we use lawyers and they use us.

328. What I do know is this genie is out of the bottle and that is now how it is. Somehow we have to make time to do the legislation. I am chairing committees at the moment two days a week; I am doing all the other parliamentary work that I am required to do; it just takes quite a long time because there is a lot of it. But that is the job we have taken on. Nobody is pointing a gun at your head and saying, "You have to stand for election". Nobody made us do it.
329. DAME DENISE PLATT: Can I come to the Office Costs Allowance? At the moment you are renting an office accommodation from your Conservative Constituency Association and some evidence has been given to us that where that happens there may be an indirect subsidy of a political party if there is an element of profit in the rent, et cetera, that is made available. Or there is not some sort of independent market value element of the price that you pay. Do you have views about leakage of office costs allowance into party political funds? If you were not renting the office accommodation that you do, do you think that your Association would rent to someone else or are you the only people they will rent to?
330. ROGER GALE: Firstly, this needs to be absolutely plain, when I put in a lease and the lease is required - and it is a proper lease on the premises - the premises that we have there is not only a Chinese wall, there is a literal wall between us and the Conservative Association. Yes, we do share a loo and a kitchen but the demarcation line is very clear indeed. I was required to have it valued by a professional valuer. What we worked out was the deal we were getting for the taxpayer was very good value for money. I could go down Birchington's Station Rd 200 yards from where my current office is and find a lovely shop for only twice what I am paying now. I happen to think it is a good deal. I accept entirely the stricture that it must be straightforward and it cannot be a hidden party political structure. I accept that entirely but you are more than welcome to come out and look at it.
331. DAME DENISE PLATT: Are you satisfied that that process gives sufficient guarantee that funds do not leak?
332. ROGER GALE: I think so yes.
333. DAME DENISE PLATT: Can I talk about another leakage of funds? One of the issues that has also been brought to our attention is staff in the constituency being paid through parliamentary fund's taxpayer's fund. Then getting involved in parliamentary campaigning and party political campaigning must have been an issue which is significant for you having been a political

agent to move into a different sort of role. How do you think that sort of arrangement can be policed?

334. SUZY GALE: I think it impinges really because the postman comes in every day. We are talking about during an election campaign.
335. DAME DENISE PLATT: At any time.
336. SUZY GALE: We do not do politics in our office. We just do not. It sounds ridiculous but I do not really know how the other two vote. I think they would vote for Roger's party but I could not swear to it. I have not talked to them about it. We are strictly non-political in our office. During an election time I will go to work in the morning and I will do my job and then I might go out later in the afternoon or evening and do a bit of canvassing with the Member's wife's hat on, if you like. But, no, there is a very firm dividing line. I am there to serve Roger and Roger's constituents and I am very aware of the concerns that may be expressed. It does not happen in our office because I divide my time accordingly.
337. ROGER GALE: I think on balance the traffic is the other way actually. People know I am a Conservative in North Thanet so if they cannot find me they will look up Conservative in the directory and they will then ring the Association who will take the message and give it to us and it tends to be that way round rather than the other. To be absolutely straight and fair about this Steve Ladyman who is my Labour colleague in South Thanet who employs Janet, his wife, would probably be telling you exactly the same thing. That is the way the traffic works. There is a perceived problem that actually is not a real one.
338. DAME DENISE PLATT: My final question: you referred, Mr Gale, to free facilities at Westminster for those who do not have the majority of their staff in their constituency. If you follow that through logically would you recommend a reduced office cost allowance of MPs who do run an office in Westminster?
339. ROGER GALE: No. I think we have to move away from the idea that if it is there we will spend it. As it happens I have spent my entire office costs allowance every year that I have been a Member of Parliament, and in the first 10, 12 years at least, subsidising it out of my own earned income to the tune of about £10,000 a year on average over a long period of time because there simply was not enough available. Now there just about is enough but I do not think people who choose to base their parliamentary operation in the constituency should be frowned upon for using the resources available.
340. DAME DENISE PLATT: No, I was asking the --
341. ROGER GALE: No, I know what you are saying but if there is a Member of Parliament who chooses to have his main secretary or office director or chief of staff in the House of Commons occupying another office should be penalised if they then want to have a parallel establishment in the

constituency. It does depend upon the nature of the constituency and the work we are being required to do and the demands the public and Parliament are making upon you. A Shadow Secretary of State has a very different life from the one that I lead; quite rightly so. They are preparing for government; defence is important; health and education is important. They have to have resources in the House. The Shadow Secretary of State is not such a good example because they do get short money but come a notch down from that to the junior members of those teams and they do not.

342. DAME DENISE PLATT: So, the allowance should be the same?

343. ROGER GALE: I think so, yes. I do believe these are honourable people. I do believe they are not hell bent on spending every last cent offered to them.

344. DAME DENISE PLATT: Thank you.

345. DAVID PRINCE: Mr Gale, you have talked about the danger of Parliament being filled with people who have had little or no experience of life and are only aspiring to receive a salary of elected bureaucrats. I just want to ask you two things on that: you told us you took a substantial pay-cut when you went into Parliament. Do you think that has now gone? Do you think people are no longer prepared to take that sort of cut? Then on the other hand, given the MP's salary is more than double the average national salary, do you think that is in itself an attraction to people?

346. ROGER GALE: The director general of the BBC earns about ten times the national average salary and he is a public servant but I do not think anybody would say he should not be paid more than the national average salary. It depends who you want to do this job and on what basis you want them to do it. I have used the word "job" rather too many times. I regard it as a vocation and always have. As Suzy and I have said, nobody made us do it. We did it because we believe it is worthwhile and we wanted to achieve something. Have we succeeded? No, probably not but we will go on trying. That is not the point. This is either a vocation, and lots of people in vocations take either literal or implicit salary cuts. A nurse is never going to earn what that person is worth if they are really good at their job but that is not why they do it. A teacher or policeman is the same. I hope people will be prepared to take a cut in income to do the job if that is what it takes because we need that mix in the house. What I fear is that if we are not careful Parliament is going to become the playground either of the very rich to whom a salary and the resources that go with it does not matter, or a job in its own right that is just about attractive to somebody for whom that is their only ambition and I think that is highly undesirable. We may give the impression we are here fighting for ourselves; we are not. I am told I am merely halfway through my parliamentary career so I am concerned about the kids coming in at the next election and thereafter. I am also concerned about the young wives or husbands, and so is Suzy, who will come in wanting to do what we have done and find they cannot and therefore maybe not come at all.

347. DR ELIZABETH VALLANCE: Can I ask about the transitional arrangements? You talked very compellingly about colleagues who have mortgages and employ family like yourself. If we were to say we would have generous transitional arrangements for these if we did decide that they were no longer to be a possibility would that make a difference and if so what sort of transitional arrangements would you suggest?
348. ROGER GALE: You are leading us down a path that we are not going to go down.
349. DR ELIZABETH VALLANCE: No, as we have said, this is one of the possibilities that we are considering --
350. ROGER GALE: Of course it is and I have just said the purpose of Suzy and I being here today is not to fight in our corner and we do not want to do that. Yes, of course, you could have grandfather rights, which is effectively what you are hinting at, but that does not solve the problem. The problem is do you allow this very different legislature from the United States Congress or the French Assembly? It is a very peculiar animal. Are you going to say that no Member of Parliament can hire his or her - and where do you go from there - partner? Male partner/female partner? Boyfriend/girlfriend? Where do you draw this line?
351. DR ELIZABETH VALLANCE: I quite take your point but what we have already established with you is that this is the zeitgeist. This is not just about the legislatures; it is also about the public sector generally and much of the private sector, where it is not normally now standard practice. Can I move on very briefly - because the Chairman is glaring at me - Parliamentary Standards Authority: can I ask whether you think that will be something that will set it all to right? The new Bill? Have you had enough time to look at this and think about it? Do you think it is going to be a way of restoring public trust?
352. ROGER GALE: You place me in a very difficult position. I am a Member of the Chairman's Panel. I chaired part of the legislation. I am not supposed to comment.
353. SIR CHRISTOPHER KELLY: It sounds as if you are going to though, are you?
354. DR ELIZABETH VALLANCE: That is why I was staying silent.
355. ROGER GALE: I think I have to. I have been on the Chairman's Panel now since 1997 and chaired a significant number of very major pieces of legislation. Two or three of them have been singularly bad. This ranks amongst the worst.
356. DR ELIZABETH VALLANCE: Thank you. I cannot say fairer than that.

357. SIR CHRISTOPHER KELLY: Just to clarify, the worst because of its content or the worst because it has been rushed?

358. ROGER GALE: The worst: it is a dog's breakfast of a bill because it has been thrown together in a hurry and we are going to repent at leisure unless we get this right. It is not going to do the job everybody thinks it is going to do. I said from the very beginning the sensible thing was to let this Committee do its job, get on with its report and then we buy the package and we do not cherry-pick it. That is me placing a huge amount of trust in you I may say, but nevertheless I do not think we can. If we are going to ask somebody else to do it then we have to let them get on and do the job. It does seem to me - and this is not a party political comment at all - that the government of the day has almost second-guessed you, and I think that is daft.

359. SIR CHRISTOPHER KELLY: Thank you. Is there anything else that either of you would like to say to us before we finish?

360. ROGER GALE: Only thank you for listening to us.

361. SUZY GALE: Thank you very much for giving us the opportunity to come and meet you all.

AMYAS MORSE, COMPTROLLER AND AUDITOR GENERAL, NATIONAL AUDIT OFFICE

362. SIR CHRISTOPHER KELLY: Thank you for coming and giving us your evidence. Our next witness is Mr Amyas Morse, the Comptroller and Auditor General from the National Audit Office. Mr Morse, you are very welcome. Thank you for coming and for the evidence we received from your predecessor. Bearing in mind it was evidence from your predecessor, is there anything you would like to say by way of opening comment?

363. AMYAS MORSE: Yes, thank you very much, Chairman, and thank you for the opportunity to contribute. I am External Auditor of the House. The Committee will be aware that I joined the National Audit Office on 1 June 2009. I hope that some of the disadvantages that that gives me as a witness will be countered by my bringing a fresh set of eyes to the system of expenses.

364. Tim Burr, my predecessor as Comptroller and Auditor General, provided written evidence to the review on 29 May 2009. My comments as I read in and looked at the current system in the Green Book is that the rules and the system are clearly based on a ruling principle of being as helpful as possible to MPs who may incur different expenses in diverse individual circumstances. The rules are intentionally flexible to accommodate this and the underlying assumption is that the members are trusted to do the right thing and exercise their judgement.

365. I think that in today's climate the expenses system needs to be built on another principle than that, and that is one of demonstrable probity, and I regard that as of primary importance. That means a system not based on trust but on clear rules that are intended to be enforceable and will be independently managed and scrutinised. The new system should make it easy for members to do the right thing and difficult not to do so unintentionally, if that is clear. My strong advice is to keep the new system simple. The simplest system would be one of fixed allowances payable to all MPs by virtue of their election to the House. Concerns that such allowances might be seen as extra pay could be addressed by a clear articulation of what is expected in return for the allowances. For example, in terms of running an effective office, carrying out constituency business, parliamentary duties, et cetera.

366. Members would use their allowances as they see fit within that. Ultimately of course it is for the public to hold Members to account at the ballot box. A simple undifferentiated system of allowances would be easier to administer and more cost effective to operate than any other. Its simplicity might mean that in some cases the amount paid might not cover, or indeed might exceed, the actual expenditure but this far simpler approach would remove the need for constant debate and reinterpretation and opportunities for public criticism of individual claims. The alternative to a simpler system would be a differentiated system capable of being tailored to Members' individual needs and the different ways they organise their business. Payments would be based on claims and this would require detailed supporting evidence and rules. Such a system would be more complex and costly to administer and enforce. With complexity comes scope for interpretation and with interpretation comes scope for questionable claims and adverse public comment. There is, of course, a spectrum of options from simple to bespoke. Whatever approach is adopted it needs to be sustainable over the long term and not designed simply to address the immediate concerns.

367. Finally, under the existing system independence is compromised with those who determine the rules benefiting from them and those who administer the payments subject to challenge and overrule. Whatever new system is adopted it needs to incorporate greater independence and stronger governance so that robust control can be enforced. I recognise that simplicity would represent a fundamental shift away from the current system but I believe that that is what is needed to take MPs' expenses out of the newspaper headlines once and for all.

368. SIR CHRISTOPHER KELLY: Thank you very much. A number of points there to come back to. Can I start with a question about the position of the NAO in relation to Parliament and the extent to which you are able to demonstrate your independence given that you are the creature of Parliament? There is now a set question, not just because of interest in the NAO but also because the same issues arise in relation to the new regulatory body, which is to be both accountable to and appointed by Parliament. How do you demonstrate the independence of the NAO when addressing issues of MPs' expenses?

369. AMYAS MORSE: You need to distinguish the NAO and my own office. In my own office I am answerable to Parliament in general; not to any particular person in Parliament. Although we address our reports on value to money to the Public Accounts Committee we carry out our audit work - which is really at the centre of our statutory audit work on order of the parliamentary accounts or public sector accounts; not just Parliament but the whole of the civil service and wider public sector - on the basis of an independent audit approach. We do not discuss whatsoever with anyone in government apart from with the departments concerned in agreeing our report. Or if we think there are issues that merit parliamentary attention, or which are raised by them, with the Chairman of the Public Accounts Committee. I cannot see any sense in which I feel subject to parliamentary influence except in the fact that I may be asked to look at particular issues by MPs among others in terms of value for money reporting. But even then we are not under an obligation to accept that. We take it into consideration and respond positively if it makes sense.

370. SIR CHRISTOPHER KELLY: You remain confident about that under the new arrangements under which for the first time you are going to do full scope audit of Parliament?

371. AMYAS MORSE: Yes, I do.

372. SIR CHRISTOPHER KELLY: Thank you. What you just said about introducing a simple system of allowances - in other words abandoning the current arrangements under which MPs have to claim for actual expenses - puts you in a small minority of people thinking that is the right way forward. In the light of your experience are you able to quote precedents from the private sector where this sort of approach would be used?

373. AMYAS MORSE: It is not unusual to find in the private sector that there are bands of expenses that you can claim or there are ceilings of expenses you can claim. Nor indeed is it that unusual in the civil service to say, "If you want to take someone out for a meal in connection with business you cannot claim more than X or Y". There are quite clear rules as to what you may do.

374. SIR CHRISTOPHER KELLY: Maybe I misunderstood what you were saying. I thought what you were suggesting was not that there should be maximums but that people should simply receive an allowance --

375. AMYAS MORSE: No, you are quite right, that is what I am suggesting but the difficulty is drawing a parallel. Most examples I can think of are individuals in an employment claiming expenses in connection with doing things they have been directed to do. I think you could describe the MP's activity as somewhat different to that. They do not have a boss directing them to do something. They do things within broad parameters according to their own views of how they should carry out their activity. That is a reason for going for what I would describe as a pretty broad-brush approach because you can get control in a more specific expense system where you have

somebody who signed off a particular activity and mandated it; in other words where you have a boss of some kind. In virtually every other circumstance I can think of that is what you do have unless it is a self-employed trader when the Inland Revenue are looking at their accounts and determine whether the expenses will be tax deductible. Something of course that the Inland Revenue does do with claims that MPs make.

376. SIR CHRISTOPHER KELLY: Someone might argue that the alternative to having someone to sign off expenses other than you under the new arrangements is transparency and the fact there is a great deal of public and media interest in this.
377. AMYAS MORSE: You could argue that the danger you have there is there is still an unclear set of rules and it is still open to witch hunting on individual claims at any time in the future. Simply being transparent I do not think will prevent you having a witch hunt in future.
378. SIR CHRISTOPHER KELLY: Just to be sure your proposal would amount to saying because it is difficult to do and because it is difficult for MPs to explain we will take away any need for them to have to justify their expenses by simply giving them fixed amounts?
379. AMYAS MORSE: That would be the core of it but you might say from that core there is need to have adaptability in one or two areas. For example, one area might be travel expenses where MPs coming from different places and have much vastly different travel expenses will put some arrangement in place for travel expenses which is variable and provides for a means of dealing with that under as good a control as is possible. I have quite a lot of private sector experience of how to devise a well-controlled travel expense system.
380. SIR CHRISTOPHER KELLY: Could you not say the same about accommodation? That needs to reflect the widely different circumstances with people with different family circumstances and different costs in their constituencies and so on?
381. AMYAS MORSE: I think you would find it almost impossible to provide clear guidelines for that and if you look at the Green Book guidelines they are very broad. The reason for that is everyone will have their own idea about what is appropriate in the circumstances. The guidelines now: there is a ceiling on what can be spent but there is a great deal of discretion. That is why you see all the things in the papers. If you want to avoid going through all that detailed discussion and the impossible debate as to what is appropriate and what is not, you need to say, "Right, we will take that out of play altogether" and I do think that makes sense.
382. SIR CHRISTOPHER KELLY: The alternative is to take out the television and the soft furnishings which is effectively what the House has already done to focus in on rent, utilities and so on. There are bound to be

different costs facing people in different parts of the country.

383. AMYAS MORSE: What I am trying to spare you is what you have in the United States which is endless rulemaking. As you seek precision in a complex system you get it by more and more rules. Each time something happens, then poof, you had better have another rule for that to show we are doing something about it and so the rules will pile up. Then you will have an expense claim for a bookcase for the rules.

384. SIR CHRISTOPHER KELLY: Thank you. Brian.

385. DR BRIAN WOODS-SCAWEN: Chairman, I ought to disclose for the record that Mr Morse and I were formerly partners together in PriceWaterhouseCoopers. Could I turn to the full scope audit of the current expense regime which the NAO is undertaking? If we had had that kind of audit in the past, do you think many or most of the problems would have been identified and headed off?

386. AMYAS MORSE: I think some of them would at least. It would not have rendered the rules any more precise than they are now. It would not have picked up things like flipping main residences because that is nothing to do with the expense systems and that is something you do with the tax authorities. But it would have, I hope, picked up claims for expenses which were clearly not supported or where there was not a mortgage in force or things which quite clearly did not answer to the description of the Green Book.

387. DR BRIAN WOODS-SCAWEN: In planning that audit, if I say that what you may be looking at is 650 cost centres to nearly 3,000 staff scattered around the country with no common accounting systems, in terms of planning an audit that sounds like a nightmare. How are you going to go about that?

388. AMYAS MORSE: We have this happening in the next audit year 2009/10 that we have agreed we are going to do a full scope audit in that year and I expect it to be extremely difficult. I have shared that quite clearly with the Clerk in agreeing to do this audit. I expect it to be difficult partly for the reasons I said: you do not have a boss signing off the receipts and therefore the receipts in themselves do not necessarily provide full justification for the expense. So, when you actually look at the detail of the system you get a voucher, you look at the voucher and see what it says. Does it tell you whether this was incurred wholly or mainly for parliamentary purposes? No, it does not. It simply tells you the fact of what the expenditure has been for. A journey, let us say for example. It does not tell you precisely so you are going to be left with taking an approach which will be based on sampling and testing to say, "For most part, do these coincide with parliamentary dates? By sampling, are people present?" and we will do it like that. A lot can be done in terms of the audit approach but it is not going to be perfect at this stage and it is not perfect because it is inherent in a system where you do not have an independent authorising authority before expenses are incurred, you have some difficulty.

389. DR BRIAN WOODS-SCAWEN: Can you scale the extent of the loose ends that might be likely to exist at the end of this process?
390. AMYAS MORSE: We have been sampling in the current year and our view is that the number of loose ends has gone down very considerably and the conservatism and self-regulation that members are applying to claims has been in evidence already for reasons that are entirely understandable.
391. DR BRIAN WOODS-SCAWEN: So, would your conclusion be that at the end of the 2009/10 full scope audit there will be a very high level of assurance around (1) the fact of the expenditure and (2) the purpose of the expenditure is as stated?
392. AMYAS MORSE: There will be a higher level of assurance than there has been and it is quite possible there will be a qualified audit report as well.
393. DR BRIAN WOODS-SCAWEN: Do you think that is quite possible?
394. AMYAS MORSE: Quite possible, yes. But it is really not possible to say how good a quality the evidence will all be until we get in and test it. We are doing sample testing now and we feel we have to push on and do this full scope audit. The sooner we start doing this full scope audit the sooner we will find the extent of the difficulty and the sooner we can come up with further recommendations.
395. DR BRIAN WOODS-SCAWEN: Many of these transactions are initiated and recorded in the first instance in remote locations. To what extent would your audit penetrate those locations?
396. AMYAS MORSE: I do not mean to be evasive when I say if that is necessary then we will penetrate them on a sample basis or otherwise. They may be originated in locations but if they are talking about things like travel they should not be that difficult. I think there are expenses which are there at the point and we will have to sample them and make sure there is no geographic difference.
397. DR BRIAN WOODS-SCAWEN: One of the issues which has been put to us by a number of people giving evidence is the difficulty of separating both the time and the expenditure, particularly in constituency offices, as between parliamentary activity and political party activity. How would you scale the risk here and how would you seek to audit that issue?
398. AMYAS MORSE: Once again I think this is something which is going to be quite difficult to establish and I guess we will come to a view of what appropriate resources are and we will sample and examine with a series of MPs, "Just exactly what else are you doing besides parliamentary business and can you show us that is segregated?" If you find it is a widespread problem then further work has to be undertaken.

399. DR BRIAN WOODS-SCAWEN: Going back to the proposal in your initial remarks about simplicity, if we had the kind of environment which I understood you to be proposing which is either a single or a set of allowances without the requirement for individual evidence to support individual transactions. If that then turns out to be the case that individual Members have used part of those allowances for improper purposes - taking their friends to lap dancing clubs, for example - to what extent do you think that in itself will further damage the reputation of Parliament and the expenses regime?
400. AMYAS MORSE: Well, it would not be even possible that they had done anything of that sort, supposing they would do so, because they would not have any ring-fenced amount of expenditure related to the allowances, would they? So, I do not think that would arise which is why I am recommending it because what you are saying to them is, "You are required to lay on a satisfactory office that is capable of dealing with constituents' correspondence and what we consider to be a reasonable allowance for this is X. So, please do not send us all your receipts for it. Ensure that you are doing the job properly". It may be that the tax authority could or would look at their receipts, but not some central body looking over receipts. In my proposal you would not be required to do that. So, there would not be an instance of saying, "You are spending the money on lap dancing" or whatever it may be because you would not be required to give that level of detail of receipting.
401. DR BRIAN WOODS-SCAWEN: Let me press you further on this: if through ignorance of the rules or through mendacity on the part of individual Members, expenditure was used for improper things without the kind of conventional control around claims and receipts and so on, what damage would that do to the reputation of Parliament and the expenses regime?
402. AMYAS MORSE: I am sorry to keep on repeating myself but if you say, "It is a flat-rate allowance; you are expected to provide adequate services. You have flexibility of how you do it" which is where we are now after all, "But you are expected to provide adequate administration and other services of an MP". So, it would be a scandal if they did not do that. That is the area where the embarrassment would arise and the scandal would arise; not in the area of precisely how they spent the money because that would not be something that was visible. "You have undertaken a duty to provide these administrative services. It is your job to do that so do it. Why have you not done it?"
403. DR BRIAN WOODS-SCAWEN: In any control environment there is always a lot of discussion around spirit as well as letter. It is in the Ministerial Code; it is in lots of private sector documents. What arrangements, in your view and experience, would help Members understand what is the spirit and how to comply with it?
404. AMYAS MORSE: I think a much clearer, more rule-making approach which says, "This is all right. This is not all right". In other words something uncharacteristically precise about what is acceptable and what is not. I am aware of how counter-culture this is, but frankly to be very clear about it, give

examples and say what is or is not acceptable, and if the House and the Committee really wants to be clear, I think you need to be prepared to be clear about what is unacceptable. What I said in my remarks is you want to be clear that when you go over a bright line you have probably done it because you intended to do it. Now, we are not anywhere near that at the moment. I think you need to put it where you protect people from getting into that sort of difficulty and protect the reputation of the House.

405. DR BRIAN WOODS-SCAWEN: Where, if anywhere, do high-level statements of standards and values fit with those detailed expectations?
406. AMYAS MORSE: I am talking about high-level statements which are then backed up by rule making. So, it is the rules which make it very clear and you have the statements of standards and values, then you have the rules. The rules are devised to give very clear effect.
407. DR BRIAN WOODS-SCAWEN: What kind of standards and values would sit over those rules?
408. AMYAS MORSE: Not very different ones to the ones that are there now. The problem is often in the enforcement and in the clarity; not in the underlying spirit. If you have a lot of general words which are capable of broad interpretation, do not be surprised if they get broadly interpreted.
409. DR BRIAN WOODS-SCAWEN: We have had different evidence on the issue around culture. Some have said this is not a matter of culture; it is a matter of clarity of the rules in the way in which you have described. Others have said that the problem has been a cocoon into which good and honourable people enter when they are elected to the House and very quickly become socialised into ways of behaving which are not acceptable but from which nobody has stood back and said, "Taken in the round, this is not acceptable". Where would you be on the issue of culture and the importance of culture as a surround to all the detail?
410. AMYAS MORSE: I think if you say - and MPs genuinely feel - that the most important principle is not just to feel in their own mind that they are acting with probity but that that probity should be absolutely clearly demonstrable. And they should ask themselves the boring question, "If I was sitting in front of a Committee like this explaining myself and not allowed to use more than X number of words, how would I justify this in clear terms?" If the answer is it cannot clearly be justified then do not do it. That is not the mood that I get when I read the Green Book. I get a much more flexible mood that does not enshrine visible probity as a number one priority. I am suggesting to you that that is what it should be. Therefore you justify what I admit to be a more severe system by saying, "You cannot be in a position where you can demonstrate that what people are being paid is appropriately being applied" than by devising a simpler and more rigorous system along the lines of what I have suggested.

411. DR BRIAN WOODS-SCAWEN: We have three elements to our task which at times are in tension. One is to provide a system which gives Members the resources they need to do their job fully and effectively and it is an important job. The second is to get clarity into the way in which all this is dealt with, and the third is to play a part in rebuilding public confidence. Not just in expenses but in the wider political arena. Do you think that public confidence is capable of being rebuilt in the near term?
412. AMYAS MORSE: Yes but I think half measures will not get it done. Public confidence, I do not believe personally, will be rebuilt by thinking we can go back to doing even more or less as we were. I also believe that in setting up a new regulatory body you have to give that body as much independence and freedom from having multiple layers of parliamentary approval before it can exercise its function as possible. I think both in the independent supervisory body and in the system and the rules, clarity and freedom from negotiability and influence will make a big difference. I know it feels very odd to compare to what has been done before but I genuinely think it reduces the scope for misunderstanding.
413. DR BRIAN WOODS-SCAWEN: In relation to transparency and publication, down to individual receipt level which has now been done and we have all learnt what redaction means - probably not a word we would have used in Scrabble in our earlier times - is there any going back from that? Because the implication of what you were saying is that publication to individual receipt level would not be part of the system. Is there any going back from - in practical terms and in terms of sustaining public confidence - individual publication?
414. AMYAS MORSE: I think you can take any position so long as it is really coherent and it does not look like, to be brutally frank, a fudge of any kind. I am not suggesting you would be party to that but I am just saying if it looks as if you have come up with something that holds water that makes sense and is really going to put things right, I do not think the public is unsophisticated. I am not saying all those who comment on things are equally as sophisticated. I think the public understands that this needs to be fixed and if you come up with a comprehensive approach that is going to fix it, I think that will meet with understanding. The fundamental feeling of identification with this country and with Parliament and its tradition, which is there, will be only too pleased to come back. The public needs to not feel it is being taken advantage of particularly not in hard economic times.
415. DR BRIAN WOODS-SCAWEN: And you believe that even if the new system involved substantially rowing back from publication down to individual receipt level?
416. AMYAS MORSE: Any system you put forward is going to have easier and more difficult points but if you say, "We are going to have a system where you can still claim a wide range of things but, do not worry, it will be published" I do not think that is a passport to solving problems. You are going to have to take one viable system or another and say, "This is what we believe is the

right answer” and that will need advocacy and it will raise issues. No, I do not think it is necessary or required for the public to be constantly looking at every MP’s voucher and receipt and to find out what they had for supper. There is no reason you should not be public about everything while setting up a system which does not require full receipting in every area.

417. DR BRIAN WOODS-SCAWEN: Can I turn to the employment of close family members and particularly spouses and partners? I guess you would accept that in most of the public sector it would be unusual to use public money to recruit close family members or spouses for roles which were directly managed by the individual. We have heard evidence that MPs are different and this is one of the areas where some say the role is different because it is 24/7 with people knocking on the door at all hours of the night means, it is argued, it is entirely appropriate. And the job is sufficiently different to justify any departure from fair and open competition and appointment on merit. What is your view on that issue?
418. AMYAS MORSE: Firstly I have considerable sympathy for the argument in favour of employing the family member because I think it is a bit like a GP where GPs are able to make some payment to their spouse because they are answering the phone and that sort of thing. To say that you could do it in some other way is probably pretty difficult. I have considerable sympathy for that. On the other hand I do recognise that it is very open to accusation, it is an area which is very capable of misinterpretation, and there have been some high profile cases in this area. So, although I have sympathy with it, I tend to say I would rather limit it to a spouse or even eliminate it altogether because if you think it is a principle that there should be demonstrable probity then I think I am against in allowing it.
419. DR BRIAN WOODS-SCAWEN: We have received no evidence that there is widespread abuse of the employment of spouses. The argument is put that it is unusual and open to misinterpretation and, therefore, the burden of proof is to show that the advantage is so considerably in favour that it outweighs the counter arguments. That is the exam question that we are wrestling with. Do you have a view?
420. AMYAS MORSE: That is true.
421. DR BRIAN WOODS-SCAWEN: Okay. Can I turn to the regulatory environment and particularly the new one that you referred to earlier? Does full assurance in your view require some form of independent regulatory body in this space?
422. AMYAS MORSE: I think the more flexible the expense system is that you decide to have, the more essential it is to have independent regulation. Otherwise what you find is an informal negotiation and appeal process happening which is not what you want. I think it is in direct ratio. If you decide to have what I call a detailed system then I think you must have an independent regulator to demonstrate that it is being run properly.

423. DR BRIAN WOODS-SCAWEN: That raises questions around who appoints the regulator? Who provides the resources to the regulator? To whom is the regulator accountable? They are the kind of questions, which by analogy we were discussing earlier in your response to the Chairman on the position of the NAO. Do you have any views which might be relevant to helping to answer those questions?
424. AMYAS MORSE: I do think it is perfectly feasible to be an officer of Parliament and be appointed under legislation that does not place you in a position of accountability to anyone in particular in Parliament and not having to subject your judgements or exercise of your role to the approvers of anyone. If you want to do that it is not beyond the powers of the creativity of man to come up with a method of doing it because it already exists. I think if that has not been put in place you need to think of a way of doing it actually.
425. DR BRIAN WOODS-SCAWEN: Do you have any advice on what that structure might look like?
426. AMYAS MORSE: I would make it remarkably similar to the position that I have got because I was independently selected on a competitive basis. It was made very clear to me all the way through my selection process that I must be independent minded. Never any suggestion that I had to be subject to anybody's particular comment other than ordinary relationships with the Public Accounts Committee on a very above-board basis. But as to my professional role it was emphasised to me all the time the importance that the selection process had senior civil servants and the Permanent Under-Secretary of the Treasury and others involved. So, it is quite feasible to have a process of selection like that which gets somebody who has not been appointed, so to speak, by some sort of informal agreement and then to give them a very clear remit from parliament as a whole that gives them a lot of freedom to operate.
427. DR BRIAN WOODS-SCAWEN: How essential is that linkage back to Parliament to create both a sense of legitimacy and a sense that Parliament has not subcontracted this whole issue to somebody else? That they continue to have responsibility ultimately for the standards of members?
428. AMYAS MORSE: I think it does make sense to do that.
429. DR BRIAN WOODS-SCAWEN: If one single body is involved in the design of the regime, in the administration of the regime and acting in regulatory way around the operation of the regime; is that too many things in one place? And do they need to be separated?
430. AMYAS MORSE: It could be too many and depends how you set that up. I am hoping the Committee is going to handle the creation of the regime or at least make very clear about its terms. So I would expect the Committee to determine that.

431. As for having a single regulatory body, it depends what governance arrangement you have within that body. And I think that is what would drive you to refresh the body; to make sure you have a very broad class of people coming to be involved in the governance of the body. That would be my suggestion as to keeping it fresh.
432. DR BRIAN WOODS-SCAWEN: At the moment, at the last count, there are around 11 different House of Commons bodies involved in this stuff. What is the risk that a spaghetti of governance bodies creates confusion and lack of clarity and accountability?
433. AMYAS MORSE: There is a risk.
434. DR BRIAN WOODS-SCAWEN: So your view is that some clarity and simplification, not just of the regime, but of the overall governance processes would be part of taking this forward?
435. AMYAS MORSE: Absolutely. If you are devising a system with different priorities in mind, you should devise one as simple as a single point of process.
436. DR BRIAN WOODS-SCAWEN: Can I turn to the resources provided to such a body? One of the ways in which any body can be neutered is to deprive it of the financial and other resources it needs to do the job. As I understand it, the NAO has a relationship with the Commission in terms of resources, which is not bound to individual budget level and which has worked in terms of ensuring that there is accountability for the use of resources but not control over every detail. Could you describe that and what lessons might be learned from that for resources?
437. AMYAS MORSE: I have not been involved in one of these exercises yet so you will have to allow me not to be too detailed about it but certainly, "I am looking forward to it" is the expression. What it requires the NAO to do is to explain what they are undertaking in broad terms, what strategic changes they are going to make, what effect that will have on the resourcing on an annual resource basis, put forward a budget and the Commission would approve.
438. DR BRIAN WOODS-SCAWEN: And in the experience of the NAO, and I recognise that you are only just in post, has that set of arrangements worked well in terms of accountability for the use of resources without it being used as a lever to exercise control and particularly to impact on independence?
439. AMYAS MORSE: Yes, I think it has. You can obviously imagine that from my point of view, as the NAO we are charged with looking at value for money and we have to be sure that occurs.
440. DR BRIAN WOODS-SCAWEN: Can I ask about whistle blowing? Most public sector bodies either have or are required to have whistle blowing arrangements. There appear to be none in relation to Members and their

expenses, either in House authorities or in their constituency offices. Do you think that some whistle blowing arrangements would be a component of a revised system?

441. AMYAS MORSE: It is difficult to say why you would exclude it, since it is quite commonly supported and protected in other instances. And really, you want to have as many characteristics in common with most other public activities as you can in the control arrangements around members' expenses. I had not considered it before but if you ask, "Would it be useful to provide people with protection for whistle blowing?" certainly it would be far more desirable that they should whistle blow to the regulator than to whistle blow to whichever Minister. So I think it is quite an attractive option. Of course, it is not necessarily mutually exclusive.

442. DR BRIAN WOODS-SCAWEN: The final question from me. You alluded earlier to the fact that we should not be looking simply for another quick fix; there have been too of those. We want something that is sustainable. Would I be right in thinking that the thrust of the remarks is that simplicity, clarity, accountability have got to come together in a coherent way and, without that, no amount of changing the detail will fix this?

443. AMYAS MORSE: That is absolutely right. We do not want to be back here in three years' time.

444. LLOYD CLARKE: Right. Could I ask you please a question about the relevance of the declaration that MPs have signed? When they put in a claim they sign that, "This has been incurred wholly, exclusively and necessarily in carrying out the duties of an MP". But could I ask the question in a context? And the context is that we have had no evidence from the Fees Office, and therefore those who have been administering the system, and I guess the nearest in terms of a comment about it has been in the FOI Tribunal of February 2008 which was critical of the workings of the Office, almost bordering on a statement about the complicity in the abuses or misuses. So my question is, in respect of auditing, what is the relevance, if any at all, of that declaration? And should that have been picked up in previous audits, or will it be picked up in future audits that there have been signatures to that which actually are incorrect?

445. AMYAS MORSE: You made a couple of remarks there which I am going to pick up on before answering. I have no evidence of complicity by the Fees Office from any wrongdoing.

446. LLOYD CLARKE: No.

447. AMYAS MORSE: I think they were in a very difficult position trying to administer an unclear set of awards without the power to make final decisions.

448. And one point about the declaration; the problem with a declaration like that, unless it relates to extremely clear rules, it is not really very binding because, if you make a declaration and you quite honestly look at the rules

and judge them to mean that whatever it is you have done is appropriate, you can make that declaration and what is wrong with that?

449. LLOYD CLARKE: Is not the declaration binding on oneself?
450. AMYAS MORSE: Well, no. Because, even within those rules, you can say, "Well, I thought this was necessary because ..." whatever you may say. So unless you have very clear rules (I am sorry, I am aware that I am repeating myself) but unless you have very clear rules, you cannot hold people against that. Whatever declaration they may make, you cannot hold people against a set of rules which are imprecise and extremely broad.
451. DR ELIZABETH VALLANCE: You cannot hold people against them in criminal terms, because you cannot prove intention is really what you are saying. But you can hold them in moral terms. I think probably that is what Brian was trying to probe with you in terms of the governance aspects of this.
452. You say the Green Book is unclear; it seems to me that the Green Book is actually admirably clear in that it says, amongst other things, (1) do not do anything that would bring Parliament into disrepute and (2) do not claim for anything that is not seen as reimbursement for expenses which have been wholly, completely and entirely incurred in the pursuit of your job as a Member of Parliament. They are pretty clear.
453. AMYAS MORSE: It is emphatic rather than clear.
454. DR ELIZABETH VALLANCE: Well, perhaps it is the way I have put it.
455. AMYAS MORSE: No, no, it is not. You have put it absolutely finely and, while it is not a complete quote, it is a very accurate quote from the Green Book. And it states the intention but it is all subjective, totally, as to the matter of degree, where the line is drawn. There is so much subjectivity in the rules as to exactly what we are talking about. If you want to prevent subjectivity from coming back through the back door, you have to have something which is not susceptible to subjective judgment.
456. DR ELIZABETH VALLANCE: But morals are subjective unless they are backed up by an ethos, a way of understanding the world. Your simple notion, your simple system, is very seductive at one level, because it says, "This will bring demonstrable probity because transparency is not good enough". But really, you go back almost to allowances, not receipted, not reimbursements; so we are back to a system where you just give people a load of dosh and say, "Do with it what you like" really, because the entirety is just too difficult to police.
457. AMYAS MORSE: I do not think it is. It is a fair challenge but I do not think it is as simple as that. It has occurred to me as a criticism and that is why I tried to be clear that you have to say what it is, in broad terms that the MP is expected to do in their services.

458. If we are going to say something broad, rather than saying something about morals, why do we not say something about having a working office and things like that which they are able to have reasonable proof of.
459. DR ELIZABETH VALLANCE: So it is zero impact?
460. AMYAS MORSE: Yes.
461. DR ELIZABETH VALLANCE: But surely the culture is important too? If you do not have an embedded culture that says, "This is how you operate and it is unacceptable to operate in other terms" and that people buy into that, you are simply offloading it.
462. AMYAS MORSE: There is nothing wrong with dealing with the culture as well. When Brian Woods-Scawen said that to me, I agreed with him too. There is nothing wrong with saying what values you aspire to and what standard of behaviour you want to see, but do not expect that general statements of that kind will deliver high levels of compliance.
463. DR ELIZABETH VALLANCE: But neither do rules on their own?
464. AMYAS MORSE: I do not think they should be without it. I am very happy to have that.
465. SIR CHRISTOPHER KELLY: We need to wrap it up now. I just want to follow up on one of Elizabeth's points. I understand fully the reasons both of you have around replacing the receipted system with an allowance system. I understand those arguments. However, what that would amount to would be to hand an individual Member of Parliament several hundred thousand pounds on top of the salary - three or four times the salary - in order to support the costs of being a Member of Parliament.
466. Two objections occur to me about that. One is it seems to offend against the principle that you should not put temptation in people's way. And secondly, you have several times said that tests would be, "Are they fulfilling expectations of delivering an effective office?" In order to do that, it seems to me, you require somebody able to take judgments about whether or not that is indeed the output they are delivering. Which is what I think Elizabeth asked, Are you not just shifting responsibility away from people trained to do this sort of thing to someone else who has take a view of that?
467. AMYAS MORSE: Your first comment about how you understand my suggestion, thank you for that. Just remind me of your second point please?
468. SIR CHRISTOPHER KELLY: MPs are paid £64,000 a year and you are handing them a sum of £150,000 - £200,000; does not that offend against the principle of not putting temptation into people's way?
469. AMYAS MORSE: The reality is that you would probably hand them significantly less than that so I do not imagine that this will be a generous

settlement. When we are talking about morals, we are really not talking about the price of a lot of this. We are just talking about public perception and public presentation. And, for those reasons, I would be very surprised if these allowances turned out to be extremely generous.

470. We have to put a point of measurement of performance somewhere. And adequate performance in office, adequate response to correspondence and so on is susceptible to measurement in quite straightforward ways. I find that a more comfortable area to be in and it is something, if you wanted to, that you could remit, in part at least, to the Revenue who are used to that now.

471. SIR CHRISTOPHER KELLY: Well that seems like a good lead into our next witness. Thank you very much. Is there anything else that you wanted to say?

472. AMYAS MORSE: No, that is fine, thank you very much.

473. SIR CHRISTOPHER KELLY: Thank you for your trouble.

(Break)

DAVE HARTNETT CB, PERMANENT SECRETARY, TAX, HM REVENUE AND CUSTOMS

474. SIR CHRISTOPHER KELLY: Our next Witness is Dave Hartnett, the Permanent Secretary for Tax from HMRC. Mr Hartnett, you are very welcome. I apologise for keeping you waiting.

475. Thank you for your evidence and the opening statement you have let us have also which, unless you want to make it, I will write into the record.

476. DAVE HARTNETT CB: Please write in the opening statement.²

477. SIR CHRISTOPHER KELLY: Thank you. Can I begin with just a point of clarification? You have made very clear in your evidence, I think, the extent to which the tax regime for Members of Parliament is different from that applying to everybody else. And it is only in a few respects, principally to do with, less importantly travel to Europe, but second to do with the non-taxability of what used to be the Additional Costs Allowance. Are those differences there for entirely pragmatic reasons or do they represent a special privilege for Members of Parliament?

478. DAVE HARTNETT: I have never seen it as a privilege. If we go back in time to before the current rule which exempts from tax certain expenses - the additional housing costs for example - there were great uncertainties as to when tax deductions were available in relation to MPs' expenses. And when the government of the day made the decision to legislate for this it seems have done so in order to bring some clarity to that and to recognise that

² The opening statement is appended to this transcript.

Members of Parliament who were more than 20 miles from Westminster could well need a second home. This was a pragmatic solution to two sets of costs.

479. SIR CHRISTOPHER KELLY: This is a very important point because what seems to have offended large numbers of members of the public is the way in which MPs seem to have special arrangements for themselves which would not apply to other people in their ordinary lives. And just to underline what you are saying is, in respect of tax, these arrangements are different but they are different for wholly practical reasons and not as a special advantage to MPs.
480. DAVE HARTNETT: That certainly seemed to me to be the case.
481. SIR CHRISTOPHER KELLY: Thank you. And the second area which has caused a lot of interest to do with tax is, of course, the capital gains tax treatment of second homes. Again, just to clarify the position; the ability that Members of Parliament apparently have had to declare a home for exemption for capital gains tax - a different home for that purpose from one which they declare as their main home for the purpose of claiming expenses - is not a special privilege for Members of Parliament either? Is that correct?
482. DAVE HARTNETT: I can explain the tax position and it is simply this; that if and when an individual acquires a second home, they are able to designate one of those homes as being a principal private residence and therefore outside the capital gains tax, exempt from capital gains tax. They can change that designation at any time and for any length of time. Any citizen, any resident of the UK, can do that.
483. The interface between those rules and the parliamentary rules has never really been a matter for the tax administration in the UK.
484. SIR CHRISTOPHER KELLY: So, in a sense, that is an example of false nomenclature because you can declare as your principal private residence, something which is nothing of the sort?
485. DAVE HARTNETT: That has been nomenclature used both in guidance notes and textbooks, (forgive me, I did not bring the statute with me - I would like to have had a look). I can see what you are saying in that designation is enough. You do have to live in the home but you do not have to live there for very long.
486. SIR CHRISTOPHER KELLY: So it does not have to be your principal home?
487. DAVE HARTNETT: That is the badge that is attached to it. It does not need to be a home you spend the bulk of your time in.
488. SIR CHRISTOPHER KELLY: Thank you. One of the important issues for this Committee is whether, in future, support for the costs of providing a second place of accommodation should cover mortgage interest as well as, at

present, rent and so on. And those who want to continue with the support of mortgage interest suggest that, in future, there should be complete alignment between second homes for parliamentary purposes and non-principal private residences for tax purposes, so that capital gains tax is always paid where there is a gain. Is that something which is actually practical?

489. DAVE HARTNETT: It would certainly be doable within tax law and tax administration. I do not think that would create a great difficulty for members or for us as the administration.

490. SIR CHRISTOPHER KELLY: So in all cases where Members of Parliament had enjoyed support for paying interest on a home from public funds, HM Revenue and Customs would be able to claim capital gains tax on them?

491. DAVE HARTNETT: One of two things would have to happen that does not happen now. We would either have to have a declaration from the Member or information from (I am not sure it is called the Fees Office any more but I will use that name) the Fees Office telling us that interest has been paid, because that is no longer information that we routinely collect.

492. SIR CHRISTOPHER KELLY: But it would still depend upon the individual Member of Parliament not claiming exemption in the first place for that home?

493. DAVE HARTNETT: That is right.

494. SIR CHRISTOPHER KELLY: Thank you. And presumably, for those who are wishing to pay tax now on gains made in the past, you are not able to accept that tax because it is not taxed property?

495. DAVE HARTNETT: We need to unpack that a little bit. If it is tax that is properly due, we welcome it. We would want to sort out, with an individual Member, why it has not been paid before.

496. If what you are suggesting is, it is impossible for Members to pay tax on a voluntary basis that is not quite right. The tax administration in the UK has a practice, probably going back more than 100 years, to accept voluntary payments from taxpayers on the basis that we explain to them, very clearly, that it is a voluntary payment, it is not due in law. If they persist in wishing to pay it, we will relieve them of their money, as would the Treasury if they pay straight into the Consolidated Fund.

497. SIR CHRISTOPHER KELLY: There is at least one well-publicised case where it is said that you have refused to accept the tax for one ex-Cabinet Minister. But what you are saying is that is unlikely to be true?

498. DAVE HARTNETT: You have drawn me into difficulties. It is very hard for me to talk about any individual. But let me just say this as a general rule; I am not aware that, since the uproar broke around this issue, we have refused

to accept any payment.

499. SIR CHRISTOPHER KELLY: Thank you. That is a helpful comment. Denise?
500. DAME DENISE PLATT: I just want to ask a couple of questions about MPs' office and staff expenses. Given that those expenses are only eligible for tax relief if, "... wholly, exclusively and necessarily used in the performance of Parliamentary duties" I would just like to know if HMRC does anything to check that MPs' claims for those costs are appropriate? That is they are not used for party political purposes?
501. DAVE HARTNETT: Can I step back a little and then work up to the answer, if I may? I was pleased to be able to sit in the back row just now and hear the discussion around, "wholly, exclusively and necessarily". I have grown up in the tax administration in the UK and those words are crystal clear to me. And they are crystal clear to most commentators on tax and there are lots and lots of decided cases - many of them Victorian - which establish the rule.
502. Wholly - it is all spent on the purpose. Exclusively - it is not spent for anything else. Necessarily - that, viewed objectively, each and every holder of similar employment or office would have to incur, if not identical expenditure, then broadly similar expenditure.
503. We test that on a regular basis across numbers of MPs every year. And one of the things we do ask about is how it has been spent, what it has been spent on. And if we had an answer that caused us to think there was a risk that it had been spent for different purposes we would ask questions.
504. DAME DENISE PLATT: But you would not, outside of that process, take 12 MPs and check?
505. DAVE HARTNETT: Well we do, do some random checks of MPs and that may be one of the tests. I am afraid it is too detailed a question for me to know the answer. But we are testing all the time the expenses of Members of Parliament, as we do for other groups of people.
506. DAME DENISE PLATT: Okay. Can you tell us, what can MPs claim in tax relief in terms of expenses for using their own homes as their offices? And is there any difference for MPs as for other people?
507. DAVE HARTNETT: I am not aware of any differences. This is a difficult area because lots of people claim or seek to claim some cost for using their home as an expense of their business. For most people it will be their only home.
508. It is harder - much, much harder - in relation to employment. And if we are asked that question about it we will explain to people that, if they set aside a substantial part of their house exclusively for this purpose, they may lose

their capital gains tax exemption in respect of that part. But broadly, more for the self-employed than the employed, it is possible; people do make those claims. We test them

509. DAME DENISE PLATT: So this would have to be an area that was wholly for the use of the MP or particular staff directly employed by them and for no other purpose, for their parliamentary duties only, not necessarily party political duties?
510. DAVE HARTNETT: No, well that is certainly something we do test when Members say to us, "I have set up my constituency office in my home and I have four or five people working from it".
511. DAME DENISE PLATT: So you would test that it was exclusive and separate and whole?
512. DAVE HARTNETT: Very much so.
513. DAME DENISE PLATT: Thank you.
514. SIR CHRISTOPHER KELLY: Just to follow up on Denise's point, after this, it would be helpful to know how many Members of Parliament's arrangements you test randomly on an annual basis and whether that, indeed, covers the staffing and office expenditure. And would that reveal whether or not it was, indeed, being used, inadvertently or otherwise, to subsidise party political activity.
515. DAVE HARTNETT: Mr Chairman, it may help you that on our website, in the freedom of information section, there is some information about our enquiries into MPs' tax affairs which were concluded in each of the last three years. That will give you a feel for how many inquiries there are. And I will try and let you know how many randoms there are.
516. SIR CHRISTOPHER KELLY: Thank you. And the second question is whether you have any plans to increase the amount of testing you do in the light of the Telegraph revelations?
517. DAVE HARTNETT: Not in the light of the Telegraph revelations, but we have written to all MPs, inviting them to talk to us if they need to do so, and we have also picked up that there are a number that we need to talk to as well. I think that will lead to some temporary increase in the number of MPs with whom we raise enquiries. I should say that some of the amounts involved are really quite small. We will test it nonetheless.
518. But I do not think it will increase any random testing we do now.
519. DAME DENISE PLATT: I just want to come back to that list and to your exchange. A wholly and totally devoted office within an MP's home, during an election might become a party political committee room. Would that matter?

520. DAVE HARTNETT: It would, I think. If there had been a legitimate claim for it as a tax deduction, when that happened, we would then be expecting some reasonable apportionment of costs between the political and parliamentary.
521. DAME DENISE PLATT: So the sampling might increase on that issue in an election year?
522. DAVE HARTNETT: It might. I am not sure. You will see from our website there are a number of enquiries and you will get a very good feel for the issues through those inquiries.
523. DAME DENISE PLATT: Thank you.
524. SIR CHRISTOPHER KELLY: Lloyd.
525. LLOYD CLARKE: Can I just follow that one, just one stage further please? The notion of the, “wholly, exclusively and necessarily” signature at the bottom. This is not only specifically about the expense but it is also the standards issue, is it not? Because that is the signature about an individual’s probity, or so it seems to me, and that is the signature, I guess, that the public would measure much of what has gone on by; that, “Surely that claim does not fall within that category?”
526. And it is that standards issue - one of probity, integrity, et cetera - that has the big question mark over it at the minute. Is that a fair observation?
527. DAVE HARTNETT: It might be a fair observation in relation to the parliamentary forms. I am about to make a guess, but I think it is an educated guess. That is the words, “wholly, exclusively and necessarily” were taken from the tax world to the parliamentary world at some time in the past.
528. In the tax world, that is standard, if you like, as to whether something can be deducted in computing tax, or not. People get it wrong, not necessarily every year, but they do get it wrong, and we exist to help them get it right.
529. I just do not have a view, I am afraid, as to whether, used in the parliamentary context, it has a heavier meaning.
530. LLOYD CLARKE: Thank you very much, that is helpful. Could I ask a specific question in respect of the resettlement grant? Am I right in the presumption that the resettlement grant is treated in the same way as statutory redundancy, even when an MP voluntarily stands down or retires? That is my understanding of it.
531. If that is the case, why should it be that, because it would suggest that MPs are being treated differently?
532. DAVE HARTNETT: The resettlement grant certainly attracts the £30,000 exemption that a proper termination payment does in the context of

any other individual. I am afraid I have never looked into the policy of people standing down so I do not know the answer to your question. I can go away and find out.

533. LLOYD CLARKE: That would be helpful, if you could, please? Thank you for that. And then a final question, which really is not dissimilar to the one that Denise asked, but this is in respect of the communications allowance. I understand the advice that you have given to MPs is that tax must be paid on, for example, constituency newsletters and other circulars. And there have been some abuses of that; there have been some investigations of the communication allowance. So I guess the question that I am asking you is, for the communications allowance or the uses that it is being put to, does that mean that tax should really be paid on the use of that allowance in general terms?

534. DAVE HARTNETT: That is a really difficult question to answer in that the tax position, one wanted to get to a sort of base position which should follow the general law -“wholly, exclusively and necessarily”. We have certainly come across examples when it does not and where we have had to collect back tax as it were.

535. But I would suggest to you that, “wholly, exclusively and necessarily” is the base test that one would apply.

536. LLOYD CLARKE: So we apply that base test to the use to which the communications allowance has been put and that determines whether tax should be paid on it or not?

537. DAVE HARTNETT: Absolutely.

538. LLOYD CLARKE: Thank you.

539. SIR CHRISTOPHER KELLY: I am not sure that I fully understand that myself. Are you saying that tax is payable on money received in respect of claims under the communications allowance where it has been misused according to the parliamentary rules? It sounds as if tax is only payable if actually it is used for things which it should not be used for.

540. DAVE HARTNETT: Let me say this. My understanding is that it does not come within the additional housing costs allowance framework. If I have that wrong I will write to you.

541. SIR CHRISTOPHER KELLY: NO, I think that is right.

542. DAVE HARTNETT: And therefore the basic rule applies; “wholly, exclusively and necessarily”. The allowance is taxable and then the use to which it is put has to fall within the, “wholly, exclusively and necessarily” rules if there is to be relief. And we have certainly had occasions where, “wholly, exclusively and necessarily” in the course of the office, is a test that has not

been met and we have collected tax.

543. SIR CHRISTOPHER KELLY: Yes. I am asking a question you may not be able to answer which is it sounds as if, when that test is not met, then that expenditure should not have incurred in the first place.

544. DAVE HARTNETT: That feels like a question for the Fees Office, and not for me.

545. SIR CHRISTOPHER KELLY: But where you do collect tax, do you tell the Fees Office what you have decided?

546. DAVE HARTNETT: No, because Members of Parliament, like members of the Committee and I and others, are entitled to benefit from our duty of confidentiality and I know of no statutory gateway which would allow us to provide information like that to the Fees Office.

547. SIR CHRISTOPHER KELLY: So there are instances, you have told us this, where you have decided that expenditure under the communications allowance has been incurred which does not meet the, “wholly, exclusively and necessarily” test and you have collected tax, which implies that it was probably illegitimate expenditure from point of view of the parliamentary rules as well.

548. DAVE HARTNETT: I do not know the answer to that, obviously. But I can answer the flip side of it, which is that, if the Fees Office recovered a communications allowance then there would be no question of us seeking to tax the Member.

549. SIR CHRISTOPHER KELLY: Thank you. And has that happened and can you give us an idea of how frequently you have collected tax?

550. DAVE HARTNETT: Almost certainly not.

551. SIR CHRISTOPHER KELLY: You cannot give us that information?

552. DAVE HARTNETT: No, we would simply regard that as an expense allowance, test it and our people who do this work would just say, “Expense allowance”. They would not have a record of the communications allowance.

553. SIR CHRISTOPHER KELLY: Right. But would it be your impression that, over the couple of years it has existed, it is very rare, frequent?

554. DAVE HARTNETT: I think the fairest thing I can say is that, over the last three months, I have learned more about MPs’ expenses that I have leaned in the whole of the rest of my career.

555. SIR CHRISTOPHER KELLY: You are not alone in that.

556. DAVE HARTNETT: This is probably on the second occasion I have heard mention of the communications allowance.
557. SIR CHRISTOPHER KELLY: That is helpful.
558. LLOYD CLARKE: Mr Chairman, forgive me, because I thought I was clear and I am not so sure that I am now. But is it possible that you could drop us a note on exactly what you have said in terms of the clarity of what is or is not taxable with regard to the communications allowance?
559. DAVE HARTNETT: I can, but I can tell you exactly what I am going to say and that is the test is, “wholly, exclusively and necessarily”. If that test is met, then the communication allowance is not taxable; if it is not met, it is. And we cannot report on it.
560. LLOYD CLARKE: Thank you. I am clear again.
561. SIR CHRISTOPHER KELLY: My lack of clarity was about the implications.
562. DAVID PRINCE: Thank you. You have very helpfully told about the testing that you do and pointed us to the website to read more about it. That is helpful. Do you ever do full, comprehensive examinations of MPs’ offices, their constituency offices? I ask that, going back to what the Chairman was saying about public concern. People have written to us at length about the intrusive nature of the examinations you do in small business offices, down to sandwiches and working lunches and those sorts of examples being quoted. But do you parallel that in MPs’ offices?
563. DAVE HARTNETT: There is broadly no difference between the approach we take to ensure compliance on the part of MPs and any other citizen. Today we do it by reference to risk. There may be generic risks, but let me give you an example of generic risk.
564. MPs sometimes claim, as a deduction, the full cost of an item for their office when, in fact, they may only be entitled to a capital allowance, which is 40 per cent not 100 per cent. It is not a hugely regular error, but it is an error that occurs every year, somewhere. And that would be part of our risk assessments - are we seeing something like that?
565. But we treat MPs like other taxpayers. What are the risks? What information do we have? And when we have looked at both of those, we decide what sort of an inquiry we should undertake. For some MPs, our enquiries are what we used to call once “aspect enquiries” - we only look at one thing. For others, it is a fully comprehensive, all embracing inquiry in relation to their offices, what they receive from Parliament, their private investments and the like. They tend to be rarer, but they do happen.

566. DAVID PRINCE: But they have been done? There may be occasions when you turn up and do the inspection?
567. DAVE HARTNETT: Yes.
568. DAVID PRINCE: From the level of testing that you have done in the past, and you have pointed us to the numbers of those, have you had any generic concerns previously about MPs' expenses on the results of your own testing before the revelations came to light and before you became so closely involved yourself with MPs' expenses?
569. DAVE HARTNETT: The capital allowances, I gave you as an example of one that happens. That tends to happen where MPs are not professionally represented and I think it is a mistake (we need to collect the tax) but it is an understandable mistake. I am not suggesting it is a condonable mistake; it is an understandable mistake.
570. We have, for example, seen that occasionally MPs will claim from the Fees Office, the cost of all their accounting fees, of going to a professional advisor. And they will forget that the element in relation to their personal tax return is taxable and our people look for that across the whole of the tax base, every year. It is a mistake that is made.
571. And there are probably others but I am afraid I do not know what they are.
572. DAVID PRINCE: Lastly from me, you have indicated that you have invited MPs to have conversations with you, as you put it. Are those conversations likely to include items that, on the face of it, are not necessarily incurred expenditure? Sort of high profile things. Will you be looking at those and will you be expecting, as a matter of course, MPs to pay tax on those if they were not necessarily incurred?
573. DAVE HARTNETT: I fear that I am in the same position as Mr Clarke was earlier on. I am not sure I quite get the question. There are lots of different things that MPs may have to pay tax on.
574. DAVID PRINCE: If we were thinking about some of the household accommodation issues or items of office equipment and so on. If it appeared to you that those had not been necessarily incurred for the work of the MP, would you be pursuing taxation?
575. DAVE HARTNETT: Absolutely. But anything which is within the scope of the additional cost allowance - and it is a very broad scope indeed - if you do not mind me putting it slightly colloquially, we cannot touch because that is the law.
576. DAVID PRINCE: But apart from that, for the reassurance of taxpayers in the room, you will be applying the same rules to MPs as you have to

everybody else? That is what I am taking from your answer.

577. DAVE HARTNETT: We have been doing that for a very long time.
578. DAVID PRINCE: Thank you, that it very helpful.
579. SIR CHRISTOPHER KELLY: Derek?
580. SIR DEREK MORRIS: Can I ask you about travel expenses? There have been, I think, four issues that have arisen, either in the press or in response to our consultation document. One I do not propose to ask you about unless you have, from your perspective, anything useful to say, and that is the issue of whether MPs should be allowed first class travel on trains and business class travel on planes.
581. DAVE HARTNETT: I can say probably just one thing from a purely tax perspective; that is not a point we would ever take in determining whether people are entitled to a tax deduction or not. We might have, going back a while ago, taken the point in terms of the difference between flying Concorde, for example, and business class travel. But we would not take that point at all.
582. SIR DEREK MORRIS: Moving on to the others, could I just ask first, as a background question, are there, in your experience, apart from MPs, other identifiable classes of taxpayer who systematically have two places of work?
583. DAVE HARTNETT: Not in terms of a segment of the tax paying population; none that come to mind immediately.
584. SIR DEREK MORRIS: Right, so when one has the typical case of an MP with a constituency away from London travelling to their second place of work, Westminster, is then something that would normally be not taxable. The money they get for that is not taxable?
585. DAVE HARTNETT: It would be the same as anyone else; there are lots of people that have two places of work but there is not an identifiable class.
586. SIR DEREK MORRIS: I see. But for these other individuals, their travel expenses in getting to their second place of work would normally attract tax relief. Is that correct?
587. DAVE HARTNETT: We are heading into very complicated areas, so I will try and be very simple. If the second place of work is a second permanent place of work, travel from their home, wherever that is, to that second permanent place of work, if paid by an employer, would be taxable. Travel between the two places of work would not be taxable.
588. So, if I left the Palace of Westminster and went off to my constituency, the cost of that travel is paid by Parliament and is not taxable; this is a journey between two places of work. If I left the Palace of Westminster and headed off

to a home which was some distance from my constituency, the way the rule works is that would be taxable at the moment.

589. SIR DEREK MORRIS: So, if you have an MP in the north of England, whose home is there and that is where their constituency is, if they get out of bed in the morning in their home and get on a train and travel to Westminster, that would still attract tax relief, would it, because it is a home within their constituency?
590. DAVE HARTNETT: Yes.
591. SIR DEREK MORRIS: That is helpful. The first problem that has been raised with us, then, is about MPs' spouses because, as you will know, there are a certain number of journeys for a spouse where they can claim the expense. And we understand - correct me if this is wrong - that those are not taxable?
592. DAVE HARTNETT: Up to a particular number of journeys, that is correct.
593. SIR DEREK MORRIS: Can you explain how that meets the, "wholly, exclusively and necessarily" test?
594. DAVE HARTNETT: No, I cannot. I am sorry to be so straightforward about it. This is a matter of, I think, custom and practice. And again, one should be using different words. I will drop you a line but it is laid out in our guidance for Members of Parliament on taxation and has been around for a very long time.
595. SIR DEREK MORRIS: Just to be clear. If one were working, purely by analogy with other occupations elsewhere in the public or private sector these would be taxable amounts?
596. DAVE HARTNETT: This would stand out.
597. SIR DEREK MORRIS: Thank you. The second is about receipts. Am I correct in saying that, when anyone is claiming elsewhere in the public or private sector, for car mileage that, while you would not always ask for clear records of what the journeys were for, you would expect the taxpayer to have that information so that, if you wished to check it, you could? Is that correct or not?
598. DAVE HARTNETT: I do not think I could reasonably sign up to such a stark requirement. We expect people who are paid a mileage allowance to be able to tell us where they travel from and to in those journeys. We also expect the employer - because quite often the employer has something called dispensation so the mileage allowance is not taxable - to have good records. We certainly have experience of people having perfect records but that is rarely the case.

599. SIR DEREK MORRIS: So, am I right that it would be unusual, outside of MPs, for someone to say, as part of their expenses, "I did 1,000 miles, various journeys to do with my work and therefore I am putting in 40p a mile" or whatever? And not have any record of those particular journeys? In such a situation would you say, "Well, then I am afraid that is taxable"? Or would you say, "Well, we recognise that people travel as part of their work and we will allow that"?
600. DAVE HARTNETT: Let me use your exact example. If somebody said, "I drove 1,000 miles; I got 40p a mile. This is what they are. I have not got a contemporaneous record", if it was 1,000 miles in a year, I think we would probably say, "That is okay".
601. SIR DEREK MORRIS: On a sort of *de minimis* basis?
602. DAVE HARTNETT: *De minimis*, risk in relation to the taxpayer, maybe it is a taxpayer we have got to know well, maybe it is a taxpayer where you can look at the tax return and say, "Golly, he or she is returning all these expenses. They are now asking for a deduction for a relatively small sum. This looks right." So we would ask our people to make judgments on that.
603. What we do not want to do is to have a great ballyhoo around relatively small amounts of expenditure. And certainly, I know from past experience, when the old Inland Revenue had a policy responsibility for tax, of seeing MPs coming in to talk to me about this and explaining that they felt that whatever the mileage allowance was per mile - 40, 60, 70, at that stage it might have even been higher - was far too low and bringing with them perfect records.
604. SIR DEREK MORRIS: It sounds like detail but you will appreciate why I ask you this question. Would the same apply if the figure was about £3,000 miles, not £1,000?
605. DAVE HARTNETT: Really a very hard question to answer. Again, it would depend on the taxpayer, what we knew of them, what risk we saw. A round sum, year on year, for a number of years would probably get questioned eventually. And, say it was £10,000 or £20,000, if it could not be justified, we might then start asking questions about previous years.
606. SIR DEREK MORRIS: And the last area is more to do with London constituency MPs and to do with commuting. You will have seen, I am sure, that one complaint has been that someone living 15 miles from the centre of London who commutes into central London cannot treat the costs of their commuting as tax deductible. And I understand that is because, although it is "wholly and exclusively" incurred, it is not necessarily in that they could live elsewhere.
607. And then we have an MP making that same journey and we understand that they can claim for those journeys and, am I right, they are not taxable?

608. DAVE HARTNETT: Let me correct one small thing, if I may, first? The “necessarily” rule in relation to “ordinary commuting”, as defined, is now a statutory rule and it has been since about 1998.
609. And I fear I am not going to be able to help you because I am not familiar enough with the position what appears to be ordinary commuting by MPs. So I will add that to the note.
610. SIR DEREK MORRIS: Thank you.
611. SIR CHRISTOPHER KELLY: Elizabeth?
612. DR ELIZABETH VALLANCE: Thank you. Correct me if I am wrong but I have scribbled down that you said, “Broadly, we would make no difference in approach to the way we operate in relation to MPs and others”?
613. DAVE HARTNETT: Yes.
614. DR ELIZABETH VALLANCE: And a lot of what you have said has clearly backed that up. But we are told that, in relation to MPs’ expenses, they are handled by your own offices, the HMRC, in a special area, with special staff?
615. DAVE HARTNETT: Yes.
616. DR ELIZABETH VALLANCE: Why is this necessary?
617. DAVE HARTNETT: For security reasons. From time immemorial, we have regarded the tax affairs of certain people as posing a risk to security and therefore MPs, and others - I hope you will not press me on who the others are - are dealt with in a secure area. It is a matter of public record.
618. DR ELIZABETH VALLANCE: So, it is not just MPs; it is a whole kind of secure area where people whose security might be at risk are handled?
619. DAVE HARTNETT: For reasons I have never understood, I am there as well.
620. DR ELIZABETH VALLANCE: I am sure you are very important.
621. SIR CHRISTOPHER KELLY: I am sorry. Is this the same space or the same team you are in?
622. DAVE HARTNETT: The same space.
623. SIR CHRISTOPHER KELLY: So there could be different teams?
624. DAVE HARTNETT: There is one team dealing with MPs and other secure cases. There is a set of rules that determines what is a secure case.

And that team are the only people who have access to those tax records.

625. SIR CHRISTOPHER KELLY: One team for MPs and another team for everybody else, in a secure area?

626. DAVE HARTNETT: No, one team for the secure area.

627. SIR CHRISTOPHER KELLY: For the whole lot.

628. DR ELIZABETH VALLANCE: But no special officers for ballet dancers and brain surgeons?

629. DAVE HARTNETT: None that I am aware of yet.

630. DR ELIZABETH VALLANCE: Thank you very much. There is a worry about this; the kind of regulatory capture argument, which says that once people are dedicated in this kind of way, they become almost the creatures of the people they are looking at. You do not find that that is the case?

631. DAVE HARTNETT: No, there is a distinction that is quite important. We have a relatively senior tax inspector who helps MPs with problems they might have in relation to tax. There is no one in the post for the minute; there will be shortly. That individual, until recently, was based in Wrexham but came to London regularly. The people who routinely deal with Members of Parliament and may make inquiries into Members of Parliament, generally will not, themselves, see Members of Parliament. That individual would do the face to face inquiries for them, but they would deal with the correspondence and the questions they want to be answered.

632. DR ELIZABETH VALLANCE: So they are arms' length?

633. DAVE HARTNETT: Absolutely.

634. DR ELIZABETH VALLANCE: One of the causes of concern that the public seem to have is that MPs claim or seem to claim for accountancy fees and filling in their tax forms. And this is obviously something you are aware of because you talk, quite explicitly, in your advice to MPs about how they should do this and so on. Can you tell us whether MPs who have used an accountant in this sort of way have paid tax on that fee?

635. DAVE HARTNETT: Many have, some have not.

636. DR ELIZABETH VALLANCE: And what is the basis of the distinction?

637. DAVE HARTNETT: Some have got their tax affairs correct and some have not.

638. DR ELIZABETH VALLANCE: So they all should be?

639. DAVE HARTNETT: They should all be paying tax on part of that.
640. DR ELIZABETH VALLANCE: Because this is the element that is their personal taxation?
641. DAVE HARTNETT: Yes.
642. DR ELIZABETH VALLANCE: Thank you very much.
643. LLOYD CLARKE: Mr Chairman, one short question, if I may? Could I ask you if you have been invited to participate or have you been consulted either by the Fees Office or any of the individual parties on their retrospective reviews of allowances?
644. DAVE HARTNETT: Not that I am aware of. I think I would know, but no.
645. LLOYD CLARKE: Not at all, as far as you are aware?
646. DAVE HARTNETT: Remember, I see members of one political party in two contexts or I never see them as members of a party; I see them as government Ministers.
647. I cannot really say much more about what advice I may have been asked for or given to ministers. So it is not a perfectly straightforward answer.
648. LLOYD CLARKE: If you have, when you go away, would you let us know, please?
649. DAVE HARTNETT: Certainly, I do not expect to be saying anything.
650. LLOYD CLARKE: No, that is okay, but then we can take a negative reply is that you have not been consulted on it.
651. DAVE HARTNETT: Okay.
652. SIR CHRISTOPHER KELLY: I always enjoy dealing with the intricacies of tax things. Just to make sure that I understand your answer about journeys, I think I heard you say that, if an MP got out of bed in their home in their constituency, and came to Westminster and got an expense claim given for that, that would be taxable?
653. DAVE HARTNETT: No, not taxable. This is one of the, dare I say it, the joys of taxation of MPs. If they get out of bed in their constituency, come to Westminster and they are paid for that journey by the Fees Office, it is not taxable.
654. If they do not live in their constituency and do that then, depending on precisely what they are doing, it may be taxable or it may not be taxable.

655. SIR CHRISTOPHER KELLY: Right, thank you. I misunderstood you earlier, in that case.
656. DAVE HARTNETT: Let me give you a very quick example in case this helps. If an MP lives 60 miles from his constituency and comes straight from that property to Westminster and was paid for doing that, we would regard that as taxable.
657. SIR CHRISTOPHER KELLY: Thank you. In that case I understand, I hesitate to say completely, but I think I am almost there.
658. SIR DEREK MORRIS: Can I just check? My understanding is that in a situation like that, if they had made the journey from their constituency to Westminster, to that extent that does attract tax relief. It is the extra element that arises from their home not being the constituency that is taxable?
659. DAVE HARTNETT: Yes.
660. SIR CHRISTOPHER KELLY: I was told yesterday that, in the old days, the advice given to new MPs was not to live in your own constituency; live just over the border. Because if you quarrel with the butcher you do not get into difficulties.
661. If you lived in the next door constituency you would use common sense in deciding whether or not it was taxable?
662. DAVE HARTNETT: We would certainly hope to use common sense.
663. SIR CHRISTOPHER KELLY: Thank you. Is there anything else you would like to add?
664. DAVE HARTNETT: I do not think so. I will respond on the issues.
665. SIR CHRISTOPHER KELLY: Thank you very much for your evidence. That concludes our hearings for today.

Opening Statement by Tony Lloyd MP

Thank you for granting me the opportunity to give oral evidence to your Committee's Review of MPs' Expenses.

I am aware that the PLP Women's Committee, the Government and the Labour Party have all made submissions to your committee, but I hope a distinct contribution from the PLP itself may also be useful to you in your deliberations.

I should emphasise that I can speak in broad issues on behalf of the PLP, but of course the PLP contains hundreds of different views on different aspects of reform and so there will be times during this evidence session when I will find it hard to speak in very specific terms on the detail of MPs' expenses.

Members of the Parliament believe passionately in the power of politics and parliamentary democracy to change the world for the better. This issue and the current climate, with the myriad allegations of impropriety, is devastating to politics. This matter is also causing distress among Members – particularly when the allegations relate to Members' partners and families.

In terms of broad principles, I want to make clear that Labour MPs support fully the need for significant changes in the system. The changes that come forward will need to be straightforward, transparent and will need to command the respect of the public. We overwhelmingly support the suggestion that MPs need to be removed from the process of setting their salaries and allowances. I welcome your role in this and look forward to discussing the separation of allowances and expenses when we meet.

Also, we do ask for some recognition that MPs overwhelmingly have no other income than their salary. We also believe that the job of a Member of Parliament is a full time job and that our constituents believe they are voting for someone to be their full time MP.

We believe it is of absolute importance that, whatever changes come forward, we recognise that people from all backgrounds, incomes and family arrangements should have the opportunity to serve as MPs.

We further believe that reasonable accommodation is required to do this and will discuss this matter further with the Committee.

We also reflect that the demands on members have changed immeasurably in recent years, with changes in society and changes in technology. We believe fundamentally that MPs need to be able to provide an efficient, resourced and professional service to constituents, and that the link between and MP and their constituency is critical. We believe furthermore that politicians have the resources required to communicate with their constituents and inform them of the work they undertake.

We believe in principle and in practice that MPs' staff need to be respected, trained and paid appropriately for doing their jobs, and we are happy to discuss the

practicalities of this with the Committee.

One final comment: as we look to make significant changes to the system there will need to be some consideration of temporary transition arrangements, as I believe was the case in the Scottish Parliament when they underwent a similar process. In this regard we believe that where people have abided by the letter and spirit of the rules at that time, and where you recommend these rules should change – that change should only be effective from the moment of adoption and not retrospectively.

I look forward to meeting you and colleagues on your committee to expand on these opening principles.

Opening Statement by Amyas Morse

I would like to thank the Committee for the opportunity to contribute to this review of MPs' expenses. As you know, I am the external auditor of the House.

The Committee will be aware that I joined the National Audit Office on 1 June this year. I hope that any disadvantages I may have as a witness as a result will be countered by my bringing a fresh set of eyes to the system of expenses. Tim Burr, my predecessor as Comptroller and Auditor General, provided written evidence to the review on 29 May 2009.

Looking over the current system and the Green Book, they are clearly based on the ruling principle of being as helpful as possible to MPs, who may incur different expenses in diverse individual circumstances. The rules are intentionally flexible to accommodate this and the underlying assumption is that Members are trusted to do the right thing.

I think that in today's climate the expenses system needs to be built on a principle that demonstrable probity is of primary importance. That means a system based not on trust, but on clear rules that are intended to be enforceable and will be independently managed and scrutinised. The new system should make it easy for Members to do the right thing and difficult not to do so unintentionally.

My strong advice is to keep the new system simple. The simplest system would be one of fixed allowances payable to all MPs by virtue of their election to the House. Concerns that such allowances might be seen as extra pay could be addressed by a clear articulation of what is expected in return for the allowances, for example, in terms of running an effective office, carrying out constituency business and Parliamentary duties etc. Members would use their allowances as they see fit. Ultimately, of course, it is for the public to hold Members to account at the ballot box.

A simple undifferentiated system of allowances would be easier to administer and more cost-effective to operate. Its simplicity might mean that in some cases the amount paid might not cover, or indeed might exceed, actual expenditure. But this far simpler approach would remove the need for constant

debate and re-interpretation, and opportunities for public criticism of individual claims.

The alternative to a simple system would be a differentiated system, capable of being tailored to Members' individual needs and the different ways in which they organise their business. Payments would be based on claims, and would require detailed supporting evidence and rules. Such a system would be more complex and costly to administer and enforce. With complexity comes scope for interpretation and with interpretation comes scope for questionable claims and adverse comment.

There is, of course, a spectrum of options from simple to bespoke. Whatever approach is adopted, it needs to be sustainable over the long term and not designed simply to address the immediate concerns.

Finally, under the existing system, independence is compromised, with those who determine the rules benefiting from them, and those who administer the payments subject to challenge and overrule. Whatever new system is adopted, it needs to incorporate greater independence and stronger governance so that robust control can be enforced.

I recognise that simplicity would represent a fundamental shift away from the current system. But I believe that is what is needed to take MPs' expenses out of the newspaper headlines once and for all.

Opening Statement by Dave Hartnett

1. Employees and "office holders" are taxed on the income from their office or employment under the rules now set out in the Income Tax (Earnings and Pensions) Act 2003 (ITEPA). MPs are office holders and therefore fall within the ITEPA rules. This note uses the terms employment and employee to cover offices and office holders as well.

2. The terms of the agreement between an employer and the office holder or employee are a matter for the parties to the agreement. Individuals are taxed on the earnings from the employment or office and on the benefits they receive by reason of it. Expense payments from their employer are taxable, but there may be a matching deduction under the rules covered below.

3. The general rule on the deductions from employment income allowed for tax purposes is set out in S. 336 of ITEPA. This says that a deduction is allowed for expenses:

- that the employee has to pay because they hold the employment, and
- that are incurred wholly, exclusively and necessarily in the performance of the duties of the employment.

These rules have been the subject of extensive case law which establishes that they are to be applied very strictly.

4. The requirement that expenditure has to be incurred “wholly and exclusively” for the purposes of the employment rules out expenditure with a personal element – for example, there is always a personal element in the cost of ordinary clothing. The requirement for expenditure to be “necessarily” incurred means that each and every holder of an employment would have to incur it – it is not enough for a particular employee to find it necessary. Finally, a deduction is allowed only for expenditure incurred whilst actually performing the duties of the employment – expenditure that puts the employee in a position to perform those duties is not allowed. For example, expenditure on newspapers incurred by journalists, even if the employee is obliged to buy them, is not allowable because, whilst reading the newspapers, the employee is not carrying out the duties.

5. The general rule on deductions does not apply to travel expenses. The general rules on travel are in S. 337 and 338 of ITEPA. The costs of travel met by the employee can be deducted if

- the employee is obliged to incur the expense, and
- the expense was necessarily incurred on travel whilst performing the duties.

A deduction can also be allowed for the costs of travel to a place the employee has to attend in the course of carrying out their duties but there is no deduction for the costs of “ordinary commuting”. Broadly, this means that travel to a permanent workplace is not allowed. But the cost of travelling to a temporary workplace can be allowed. So for example, someone who lives in Bedford but travels to work in their London office every day cannot claim tax relief on their travel costs. But if they were required to attend a meeting in Manchester in the course of their work, a deduction for the travel costs could be claimed. There are rules on the definition of “temporary workplace” but this note does not attempt to cover them.

MPs expenses

6. There are some specific provisions in ITEPA on the tax treatment of MPs’ allowances. Apart from those specific provisions, the ordinary rules apply. But a general point is that no tax deduction is available for the costs of party political activities.

7. The Personal Additional Accommodation Expenditure (formerly known as the Additional Costs Allowance) is covered by a complete exemption from tax set out in S. 292 of ITEPA. The scope of the allowance is determined by a resolution of the House and the exemption is for an allowance expressed to be “in respect of additional expenses necessarily incurred ...for the purpose of performing Parliamentary duties”. The scope of the allowance is determined by the Parliamentary authorities and the amounts paid to MPs do not have to be reported on tax returns.

8. There is also a specific provision in S. 294 of ITEPA exempting from tax the costs of European travel by MPs and other elected representatives. This covers travel to EU institutions or to the national Parliaments of other Member States or members of the European Free Trade Association.

9. Apart from these specific provisions, other amounts paid to MPs – including

London Supplement - are taxable and deductions can be claimed in the normal way.

10. For the purposes of the rules on travel expenditure, MPs are regarded as having two permanent places of work. HMRC accept that travel between Westminster and the constituency is tax-free because travel is in the performance of the duties.

Travel by MPs' spouses or civil partners is treated in the same way as travel by the MP themselves but the cost of travel by children is taxed.

11. As for any other employer, where an expense payment is taxable but HMRC are satisfied that a matching deduction from taxable income would be due, an agreement can be reached that the expense can be paid tax-free and the amounts not reported to HMRC (these agreements are known as "dispensations" and aim to relieve the employer (and HMRC) from administrative costs in circumstances where it is clear that no tax is at stake).

12. There is nothing in the tax rules to prevent an MP employing members of their family. Provided tax and National Insurance are properly applied to the remuneration paid, and the expenditure meets the general requirements for a deduction from employment income, there are no problems from a tax perspective. PAYE in respect of MPs' employees is administered by the Department of Resources.

Capital Gains Tax

13. There are no special rules for MPs.

14. The general capital gains tax rule is that the gain arising on disposal of a person's only or main residence is normally exempt from capital gains tax if it has been their only or main residence throughout their period of ownership. If it has been their only or main residence for only part of that period, the gain is apportioned on a time basis and tax is charged on the gain arising in the period when it was not the only or main residence. Provided a property has at some time been a taxpayer's only or main residence during their period of ownership, the gain arising on the last 36 months of their ownership qualifies for exemption in any event.

15. If a person has more than one residence, they can choose which one is to qualify for the exemption from capital gains tax. It must be a property which they actually occupy as their home for at least part of the time. The choice must be made within two years of the person first having more than one residence. In the absence of an election determining which property is to qualify for relief, the property which is in fact the main residence attracts the relief.