

From G Searjeant  
Barbican

Dear Committee members,

I write to you as an ordinary voter who finds that Billy Connolly's dictum: "don't vote, it only encourages them" is increasingly compelling.

I attach a brief bullet-point submission to your inquiry into the expenses of Members of Parliament, suggesting a fundamental and simplifying reform.

I note from your Issues and Questions paper that you consider it extremely unlikely that you would venture beyond a limited brief so as to consider the wider issue of the compensation of MPs.

Nonetheless, I urge you to do so.

The origin of the scandal over MPs' expenses lies in the deliberate holding back of MPs' "salary" for political reasons on the tacit assumption that expenses and allowances could be used to supplement their living standards.

Unless this issue is addressed, I cannot imagine any reform of expenses and allowance, however strict and transparent, that could either command public confidence or avoid a plethora of petty scandals in the future.

Politicians cannot, in practice, address this issue. The review board for Top Pay is, in my view, an inappropriate forum to assess compensation for MPs, because they are not, or should not be, state employees. They will necessarily incur some private expense, often including staff costs, to fulfil their modern obligations to their electors and should therefore be treated as professional service providers, not public sector officials.

By virtue of events, your committee has a unique authority to propose a lasting reform that can command general agreement.

For the record, I recently retired as Financial Editor of The Times but do not claim that this gives me much relevant expertise. I could, of course, expand on the points in my submission if you wish but have kept it brief in the hope that you will have received similar submissions from others.

Yours faithfully,  
G Searjeant

## COMPENSATION OF MEMBERS OF PARLIAMENT A CREDIBLE AND TRANSPARENT REFORM TO SIMPLIFY ARRANGEMENTS

### Key points:

- \* MPs' compensation has fallen far behind the level originally envisaged and no party leader will dare to suggest that your committee should remedy this. If "pay" were in the same relation to average earnings as in circa 1911, when it was introduced, it would be about £100,000 a year (see Note @). But MPs have bigger electorates than in 1911 and we expect more from them, notably as individual constituents' champions against bureaucratic failures. The expenses and allowances system is meant to contribute to MPs living standards.
- \* All forms of expenses or allowances that can yield significant sums are demeaning and tend to breed corruption and malpractice, as they do in commercial business. They can be used as a stick to beat anyone who falls out of favour (as happens to senior police officers), the more so if they are published, as has happened on several occasions in the new Scottish Assembly.
- \* Detailed compliance and disclosure rules always lead to a proliferation of minor breaches and, for politicians, many petty scandals. See, for instance, the side-effects of detailed rules on political contributions and their disclosure, in the UK, US, France and Germany.
- \* Allowances and perquisites that aim to bolster nominal income or spending power will always be unjustifiable to electors. They are a form of privileged tax avoidance not available to electors and give incentives for spending rather than for economy. So the advantage in theory of matching payments with costs incurred is always likely to be counterproductive in practice.
- \* Members of Parliament are often perceived to have become out of touch with electors and the problems facing electors because they have effectively become exceptionally privileged public employees, accountable to the Government, to party leaders and collectively to themselves, rather than being independent professionals, responsible to their constituents.
- \* All these dilemmas can be resolved at one go by a change in the compensation system. Members of Parliament should have self-employed status, contracting with their constituents to represent them for a simple, non-returnable fee, out of which they would be expected to meet all their expenses, staff costs, accommodation and any future pension provision. The fee would be conditional only on them taking their seats.
- \* A minimum fee should be set independently, initially at the behest of your committee. I suggest it might start at £150,000 p.a. or £160,000 p.a. An additional "distance" fee of, say, £20,000 p.a. would be paid to those who need a second home to represent their constituents and to cover the higher cost of travel to their constituency.
- \* All allowances would be abolished. Members should make their own own pension arrangements for future service. They would, of course, still claim necessary expenses against their tax bills. Fees should automatically rise by 2 per cent p.a., the inflation target, and be reviewed every two parliaments, perhaps by the Comptroller and Auditor General.
- \* Ideally, these fees would be paid by constituents via local authorities, out of council tax, apportioned where constituencies straddle local government borders. Local councils should decide whether their Member(s) need a distance fee, with some safeguard against discrimination. The fees can be recompensed from the Exchequer through the annual grant.
- \* Only the authority of your committee can deliver this reform, because headline compensation could treble. In reality, average payments to MPs would on my calculations fall by between £25,000 and £55,000 p.a., more if pensions are fully accounted for. A new system, which is

transparent to voters, needs to be brought in for the Parliament that will sit after the next General Election.

\* A global fee close to the levels suggested above should be sufficient for MPs to live comfortably, save and give their constituents a good service. The fee system will encourage big cost savings. Employing relatives, for instance, might become a sensible economy rather than an abuse of taxpayers' money. MPs who want a higher living standard or a bigger research budget would remain free to earn more from other sources.

\* A simple global fee system would bring substantial administrative savings for taxpayers as well as cuts in overall payments for the average MP. More detailed vetting of expenses will raise costs, offsetting or even negating altogether the savings made by curbing abuses.

@My estimate, based on The British Economy:Key Statistics 1900-1966 and recent ONS monthly economic statistics.