

Submission to the Committee on Standards in Public Life

Review of MPs' Expenses

The Sunlight Centre for Open Politics welcomes the opportunity afforded by the Committee on Standards in Public Life conducting an inquiry into MPs' Expenses.

Brief responses to the main questions which the Committee is considering are given below in the expectation that the Committee may wish to ask for more detail during the public hearings at which the Committee will take oral evidence from witnesses.

1. What are the necessary elements of a system which both supports MPs properly in the performance of their important and demanding role and commands public confidence?

MPs should be able to claim only for expenses that are wholly exclusively and necessarily incurred in the performance of their duties.

2. Is it right that the House of Commons should be in a position to determine the nature and size of its own expenses scheme? If not, what are the alternatives? Who should be responsible for approving the content of the Green Book which sets out the basic rules?

It is not ideal. Ultimately parliament is sovereign and determines the law of the land including the rules that govern itself. The important thing is that the expenses scheme should be transparent and open. Voters and watchdog groups will then be able to monitor the system. Ultimately the members of the House of Commons need the approval of voters, if the House operates an expenses scheme which incurs the displeasure of the voters they will make their displeasure known via the ballot box. Power is delegated by voters to MPs, a quango body would only entail new problems of patronage and extra costs to the public purse.

3. Are the range of expenses which are currently reimbursable correct? Are the correct judgements being made about the resources MPs need to perform their jobs effectively?

No, the range of expenses currently reimbursable is too great. There has been a regrettable extension of the expense regime in the last decade which is undemocratic in that it favours incumbent parliamentary candidates with financial advantages over challengers. In particular the Communications Allowance is abused for purposes that really should not be paid for by the taxpayer. Safeguards against partisan use of the allowance are not working. All such expenses should be met from private or party resources.

4. Are the arrangements for policing the expenses system adequate? If not, how should they be reinforced? Is there adequate independent involvement? Are the new arrangements for internal and external audit introduced at the beginning of this financial year adequate?

Self-evidently the policing of expenses has failed badly. Audit could be simplified by many measures, for example it should be mandatory that a single bank account should be operated for an individual MP's expenses. All transactions should pass through the one bank account. Many large businesses have saved on administration by giving employees debit cards to use. This should be required for MPs expenditure and would make record keeping as automatic as bank statements. There are many other practises that could be copied from the private sector.

5. If it is the right principle that MPs should not expect any element of personal financial advantage through the claiming of personal expenses, what approach should be taken in situations such as the support of mortgage interest which does offer the possibility of such advantage but which may nevertheless provide better value for money to the tax payer?

Even if it were to provide better value for money, and that is questionable, it is not acceptable that MPs should be personally enriched in terms of capital gains as a result of taxpayer subsidies. The payment for accommodation should be limited to rent or hotel costs. MPs are not in Westminster all year round. Many spend only Monday, Tuesday and Wednesday night in London during the time parliament is in session. Hotel costs for around 100 days a year will be far less than is allowed under the current system.

6. However logical the approach to reimbursement of expenses, is it possible that its implementation throws up so many difficulties, including difficulties of explanation to the wider public, that there is a case for considering a radical simplification which costs the same or less than the current arrangements? Would it be acceptable for some increase in the level of basic pay to form part of that?

We don't accept the underlying premise of the question, which seems to imply that the wider public did not understand the explanations offered. On the contrary, the wider public has seen through the self-serving explanations offered without difficulty. It is the case that in many of the examples of abuses of the system which have been exposed it is the MPs themselves who have claimed to have not understood the system. A simplification of the system would be welcome if it closed down loopholes open to abuse by those claiming expenses.

It is our view that MPs are already on salaries triple national average earnings and do not require or deserve any increase in their level of basic pay. International comparisons suggest that MPs are overpaid relative to legislators in other countries. In view of the difficult economic environment currently faced by taxpayers a period of pay restraint on the part of MPs would be welcomed by most voters.

The following chart illustrates the income position of MPs relative to the general working population:



7. Where reimbursement is made in respect of expenses such as the cost of running an office, should this payment continue to be made as an additional personal expenses allowance to MPs? Or could the payment be made directly by the House authorities or in some other way? Is there a case for more centralised procurement through the House of Commons authorities? If so in which areas might such procurement take place?

Payment should, as suggested previously, be made out of an MP's single expense-specific bank account, with all payments itemised and subsequently published. This would allow for comparison by interested parties. It is common practice in the private sector for centralised procurement to be undertaken, this is

not always as efficient as might be expected. We have no view on the efficiency of centralised procurement.

8. What is the best way of providing recompense to those MPs who inevitably have to spend time away from their main home on Parliamentary business?

Payment should be for rent, not mortgage interest, alternatively payment could be made for hotel costs. For the reasons outlined in response to question 5 this may prove to be an amount less than widely believed, with many MPs only spending a night in or near Westminster for a third of the year.

It has been suggested by the Taxpayers' Alliance that the Olympic Village now being built in East London to briefly accommodate athletes could offer future MPs homes with good transport links via the Jubilee Underground Line into Westminster. It is fortunate that the Olympic Village has been built with sophisticated security concerns directly in mind. This seems an idea worthy of serious further investigation.

9. How much discretion should the system allow about issues like the designation of second homes?

Any discretion granted should be clearly defined. MPs with constituencies within commutable distance should not be allowed to claim for a second home. MPs within a reasonable taxi journey from Westminster should be expected to make their way home whatever the time. It is granted that MPs should in defined circumstances also have the option of staying in a hotel.

10. Is it acceptable that MPs should be able to employ spouses or other family members? If so, what safeguards are necessary?

On balance, we think that as is the case in many legislatures around the world, it should be prohibited for those in public office to employ family members. We accept that there are circumstances where employing a spouse would help family life, however this does not overcome the fundamental objection to a public office holder being in a position to authorise payments to a spouse or family member. There is no doubt that nepotism can be corrupting.

11. Should receipts be required to support all claims for reimbursable expenditure?

For every single penny claimed a receipt should be required. There is no reason why MPs should be held to a lower standard of financial reporting than the business community. In fact, given it is public money at stake, there is every reason to believe that they should be held to a higher standard.

12. What level of detail of expenses claims should be routinely available to the public without the need to make Freedom of Information Act requests for it?

All expenses down to the last penny should be published online as a matter of course.

13. Is it acceptable or desirable that MPs should be able to receive remuneration for activities outside Parliament? If so, should that be reflected in any way in the treatment of their Parliamentary pay and expenses? Is there a need for further regulation or guidance on these activities?

If MPs declare all external sources of income clearly it should be for their electors to judge on the acceptability. The position has always been that during a debate MPs declare any relevant outside interest they might have. This should be formalised and it should be a serious disciplinary matter to have failed to declare any interest. Logically external payments should have no bearing on MPs' pay or expenses since they should relate wholly and exclusively to their parliamentary work. MPs should not be

allowed to exploit their office in any way for private gain.

14. Should MPs be reimbursed for expenditure incurred on newsletters and other material designed to inform the public about their work?

No. Time and time again this facility has been abused. It is not for the taxpayer to finance publicity which even if not strictly partisan (as is permitted currently) amounts to little more than a "vote for me" communication.

Other Comments

In general it is our view that MPs and those that elect them should be equal before the law. The laws that MPs make and require the private sector and individuals to abide by in respect of tax and benefits should also apply equally to them. It would be a good thing if MPs felt the full effect of the taxes they enact and the financial reporting requirements they place on the rest of society. MPs should never be exempt from or subject to lesser standards and responsibilities than they impose on the rest of society.