

# **REVIEW OF MPS' EXPENSES – SUBMISSION TO THE COMMITTEE ON STANDARDS IN PUBLIC LIFE**

## **INTRODUCTION**

1. I decided to make a submission to the Committee on Standards in Public Life (CSPL), about MPs' expenses, because like many members of the public, I have been extremely disappointed in the behaviour of many MPs which has brought them, their political parties, Parliament and the country into disrepute. I have been particularly concerned by:

- the acknowledged abuse of the expenses system and tax laws, by some frontbench and backbench MPs, all of whom hold positions of the highest trust;
- the actions taken with the authority of the House of Commons, and the amount of public money spent, to prevent the discovery of these abuses and their extent;
- many MPs concentrating the blame on the system and the fees office, while trying to avoid taking any personal responsibility;
- statements by some MPs leaving the suspicion that there had been a conspiracy by some to award generous increases in allowances to use as a surrogate salary, to make up for their own perception of their low pay and high worth, in exchange for not exceeding the pay targets imposed on the rest of the public sector by Government.

## **AIM**

2. My aim is to provide the CSPL with a number of ideas and proposals from the point of view of a member of the general public, for them to take into account alongside the evidence that will no doubt be submitted by MPs, experts, pressure groups and other interested parties, in the hope that it will lead to a system that:

- meets the legitimate needs of MPs;
- represents best value for money to the tax payer;
- is easily understood by MP's, those who administer it, and the general public;
- will be transparent and hold MPs publicly accountable; and
- helps restore public confidence in MPs, Parliament and democracy in this country.

## **SUMMARY OF RECOMMENDATIONS**

3. The following is a summary of my recommendations, under various headings, with references to the paragraphs where they are discussed in the body of the submission:

### **3.1 The General Expenses System: (Paragraphs 4 to 8)**

- a. The regulation and audit of the system should be removed from the House of Commons and placed in the hands of independent public bodies. **(Paragraph 4)**
- b. The emphasis should be changed in revised rules to the effect that if it is not specifically allowed in the rules, it is against the rules unless a special case is approved that will be placed in the public domain. **(Paragraph 5)**
- c. The following should be included in the new regulations:
  - A formal appeals procedure against refusal of claims; **(Paragraph 6a)**
  - A formal disciplinary procedure. **(Paragraphs 6a – 8)**

### 3.2 **Public Support for Accommodation Costs.** **(Paragraphs 9 -14)**

- a. Constituency homes should be first homes, attracting no allowances; second homes in London may attract allowances. **(Paragraph 13)**
- b. MPs with constituencies in Inner and Outer London who attract London Allowances should receive no accommodation allowances. **(Paragraph 14 and subparagraphs, also includes c. to i. below)**
- c. MPs whose constituencies are outside of London may be entitled to receive allowances towards the cost of supporting a second home in London.
- d. The requirement for a second home, and any subsequent changes that might be allowed should be supported by the MPs party leader, approved by the appropriate authority and placed in the public domain, before any arrangements are made and claims submitted.
- e. ‘Flipping’ support from public funds between constituency and second homes will be prohibited.
- f. There should be no support from public funds for MPs to move their constituency homes under any circumstances; or London second homes, unless there are exceptional circumstances.
- g. Existing MPs should have reserved rights regarding the current locations of their first and second homes agreed under the old rules, providing they did not abuse those rules (the test highlighted in paragraph 5.); or unless the MP wishes to relinquish these rights and it does not require additional public funds to affect the change.
- h. MPs newly elected to constituencies outside of London who already have a London home which they wish to retain, may be entitled to allowances towards the cost of supporting it, if it is necessary for their parliamentary duties.
- i. MPs who become Ministers and take up official residences that go with the job should cease to receive any allowances to maintain their London home after 12 months, or as soon as it is sublet, whichever is the sooner; or an exceptional case is approved for an extension of time.

3.3 **Alternative Ideas for Supporting Accommodation Requirements in London.** The following alternatives should be considered (**Paragraph 15**):

- a. Obtaining and providing government owned properties.
- b. Having a home share scheme whereby the tax payer and MPs each have a stake in the property.
- c. Allowances for mortgage interest payments should be a charge on the property which is recoverable when MPs relinquish their seats and no longer need the property for their Parliamentary duties.
- d. Maintenance costs for essential structural repairs should only be allowed and placed as a charge on the property subject to depreciation and recoverable as at ( c ) above.
- e. Having a central contract with a chain or chains of hotels, to provide rooms to MPs, whenever they require overnight accommodation in London on Parliamentary business.
- f. There should be set allowances for each element of PAAE and there should be no flexing of money between these elements.
- g. A reasonable allowance should be set for a contribution towards initial decorating and outfit of furniture for second homes in London. All subsequent expenditure should be the MP's responsibility.
- h. A flat rate of expenses should be allowed for MPs staying overnight in a hotel to cover the costs of an evening meal and incidental expenses. But this should be greatly reduced for MPs staying in their second homes and limited to the nights necessary for them to be there for strictly parliamentary business (100 days maximum, also see paragraph 12);
- i. An allowance for service charges/ground rent, cleaning, insurance and basic security measures should be allowed, but cleaning and basic security should be better defined to avoid any possible misunderstanding.
- j. Allowances and their rates or limits should be set by a quinquennial review, calculated by using scientific techniques; and then adjusted annually by the rate of inflation, or changes in interest rates as necessary, until the next review.

3.4 **Incorporating Some Allowances in MPs' Basic Pay.** There should not be an increase in MPs' pay to incorporate an element of allowances into basic pay, for a whole host of reasons. (**Paragraphs 17 – 18**)

3.5 **Employment of MPs' Office Staff.** Consideration should be given to allowing MPs to continue to recruit and employ their own staff, including spouses, subject to independent scrutiny of their proposed appointments. (**Paragraph 19**)

3.6 **Paid Employment for Activities Outside of Parliament.** (**Paragraphs 20 – 22**)

- a. These activities should be subject to regulation. (**Paragraphs 21 & 22**)
- b. House of Commons authorities should consider operating a scheme for MP's to have paid or voluntary unpaid employment outside of Parliament, for job experience and to ensure they keep in touch with the real world to help them do their job as MPs better. (**Paragraph 23**)

## **DISCUSSION**

### **The General Expenses System**

4. The recent revelations, and MPs blaming the lax rules (which they created) and apparent poor administration by House of Commons officials, makes it clear they have been incapable of regulating and auditing themselves. Therefore, these functions should be removed from them and placed in the hands of independent public bodies.

5. There seems more than sufficient in the 'Code of Conduct for Members of Parliament', that has been in place for many years, to have curbed most of the reported abuses. Some of the principles in the Code are reflected in the Green Book (2006) under which most of the alleged abuses occurred; and are clearly set out and adapted in the 'Principles governing Members' allowances' in the 2009 edition. It is difficult to see how the expenses rules could be misinterpreted by MPs in relation to their Code of Conduct and governing principles to cause so many errant claims that many MPs profess, almost as a mantra, 'were not against the rules'. Even if everyone were satisfied they were not against the rules, nothing in the rules compelled MPs to take the actions they did and make the claims. **The test must surely be: whether MPs' actions and the resulting claims were reasonable and applied the rules in ways in which they were intended.** This is the question MPs' should have asked themselves before taking action and making claims; and one any tribunal asked to judge the matter should reasonably be expected to consider. In any event, consideration should be given to incorporating the guidance more directly into the rules, or limit MPs' discretion by changing the emphasis of revised rules along the lines of:

**IF IT IS NOT SPECIFICALLY ALLOWED FOR IN THE RULES, IT IS AGAINST THE RULES UNLESS A SPECIAL CASE IS APPROVED THAT WILL BE PLACED IN THE PUBLIC DOMAIN.**

Perhaps these words need to be printed in big, bold and unfriendly letters on the cover of the Green Book. However, if this were really necessary, it would be a very sad indictment of our MPs, who we elected to apply their knowledge, experience, common sense and their ability to distinguish between what is right and what is wrong to much more complex principles and issues in making our laws and governing the country; including what many regard as the ultimate responsibility – sending our armed forces to war.

6. There are, also, two important elements missing from the Green Book which I would expect to find in any expenses code:
  - a. **Reference to a proper appeals procedure when claims are rejected.**  
Unsubstantiated reports in the media allege that pressure was applied to officials to

accept unjustifiable claims that set precedents encouraging further abuses. An independent appeals procedure would benefit MPs and officials by reducing the likelihood of any pressure being applied or alleged.

b. **Reference to a disciplinary procedure.** This is particularly important to restore public confidence in MPs, to demonstrate they are subject to the same sort of process and penalties that everyone else would face under similar circumstances. The procedure should be seen to uphold the principles that:

- **No one is above the law or the rules;**
- **Those who have abused a position of trust can expect to be treated severely.** A warning to this very effect might not go amiss in the rules.
- **The presumption of innocence until proved guilty by due process.** If the public and media had confidence in the process there might not be such a witch-hunt against the alleged wrongdoers.

7. None of us are perfect; we have all made mistakes and errors of judgement. But, MPs repaying money is insufficient in itself. They should, of course, be given credit for this and for any admission of guilt and any remorse shown. Proven claims of lax rules, poor administration, and of pressure of work etc that might have led to errors should be taken in mitigation in considering what action should be taken and the penalties imposed. However, it cannot absolve them from responsibility if a criminal or disciplinary offence has been committed. Unfortunately, there is a real suspicion amongst the public that MPs, and members of the Government in particular, are treated differently and more leniently than the rest of us. This suspicion even extends to the application of the evidential sufficiency and public interest tests, and any judgements against the burdens of proof – beyond reasonable doubt and the balance of probability.

8. It is, therefore, very important that due process is followed, is seen to be followed, and the results seen to be fair and capable of rational explanation. This is, of course, easier said than done. There are procedures to discipline MPs by the House of Commons, their party leaders and their constituency parties. However, it would seem difficult to co-ordinate action between them so that each case could be dealt with on its own merits by the appropriate body, in a consistent way and in relation to the penalties each are capable of imposing. It might be possible for the CSPL to recommend a way of doing this in future for individual cases under a revised system. However, in the absence of this, it is up to House of Commons authorities and the leaders of the political parties to provide an agreed and consistent approach. Unfortunately, it all looks as if it is a bit fragmented at the moment. As feelings seem to be running very high amongst the public, failure to get it right could add to the crisis. Pressure groups and other interested parties might then seek to take out private prosecutions, as has already been suggested in the media; or dare I suggest it - seeking leave for a judicial review of decisions taken by the House of Commons authorities, or even political parties.

### **Public Support for Accommodation Costs**

9. I support, in principle, the right of MPs to have the widest possible choice and discretion, taking due account of their duties in their constituencies and at Westminster, of

their particular circumstances, and in the provision of best value for public money. Indeed, they are in positions of trust where they exercise their discretion to legislate and administer things of much greater importance and value on our behalf. However, recent revelations have cast doubt on the ability of many MPs to exercise their discretion appropriately when it comes to their own expense claims. They should, therefore, expect any revised expenses system to place further limits on their discretion.

10. In order to properly consider the system of MPs expenses, it is important to keep in mind:

- their responsibilities and duties;
- the legitimate expectations of their constituents;
- their legitimate expectations of a normal private and family life; and
- the need to achieve best value for money.

11. It is an important principle that MPs represent their constituencies in Parliament. For them to do this, it is not unreasonable to expect them to come from the community they represent, or to establish their primary residence in the constituency. To do anything else might undermine the constituency basis of national politics. Indeed, the recent revelations in the press regarding MPs' first and second home arrangements, along with national political parties wishing to have adopted 'A' List candidates or others who are representative of certain demographics may indicate this is already under threat. While the political parties' aims are not without merit they are not always easy to reconcile with constituency based politics, and they are often resented by constituents – an extreme example being the Blaenau Gwent elections in 1999 and 2005. Perhaps, constituency based politics needs defending better (e.g. by open primary elections), or included in a much wider debate on political and constitutional reforms that might include alternatives such as regional proportional representation. However, it is not in the remit of the review to consider that.

12. The Parliamentary calendar and sitting times indicates that most MPs who do not live in London and who are unable to commute on a daily basis only need to spend about 100 nights per year (27%) - 3 nights a week, or occasionally 4, as Parliament does not routinely sit on a Friday when MPs usually hold surgeries in their constituencies. And as Parliament usually breaks early on Wednesdays and does not usually resume until 1030 on Thursdays a number of MPs could return to their constituency home on a Wednesday evening if they wished. This would reduce the number of essential overnight stays for many to 70 nights per year (19%). Of course, this is an oversimplification of the duties and hours worked by many MPs, especially Ministers who have Departments to run. However, it is indicative of the possibility for many to organise their work and lives perfectly satisfactorily by staying in hotels or a combination of commuting and staying in hotels, which is exactly what many MPs do already. On the face of it, the purchase, or rent, and maintenance of a property in London by an MP with the support of public funds, for accommodation for such a small number of nights per year does not provide the best value for money. This seems especially true when you consider what it says in the Green Book:

“Claims should be above reproach and must reflect actual usage of the resources being claimed”

“Claims must only be made for expenditure that was **necessary for a member to incur to ensure that he or she could properly perform his or her parliamentary duties.**”

However, there seems, on the face of it, to be an inordinate number of MPs who are claiming public money to support either:

- second homes in London; or
- second homes in their constituencies, while being allowed to maintain their first home in London.

13. In any event, the rules need simplifying and tightening to better reflect the new reality. One of the ways this might be done is by assuming that every MP when they start out has to have a home in their constituency and having a second home in London is conditional on two things:

- the nights MPs need to stay in London away from their constituencies on parliamentary business, which for new backbench MPs is conditional on the time and distance their constituency homes are from Westminster; and
- on gaining additional responsibilities, i.e. becoming a minister which requires them to stay in London on more nights, which only usually occurs a few years after being a backbench MP. And, of course, being a minister can be a temporary arrangement.

Therefore, the need for allowances should be placed on these exceptions when they occur, regardless of the time spent subsequently living in their constituency or London homes. I believe this is in line with the practice of other organisations where people are required to move or change circumstances due to their work – allowances are attributable to support the change of circumstances – the newly required home, not the existing old one if it is still required to be kept for any reason.

14. As a result of placing the requirement along these lines, the following should be applied:

- a. MPs with constituencies in Inner and Outer London who attract London Allowances should get no allowances from public funds to support their homes.
- b. MPs whose constituencies are outside of London should receive no allowances for their constituency homes, but should receive allowances towards the cost of supporting a London home if their case receives the recommendation of their party leader, is approved by the appropriate authority and placed in the public domain.
- c. There should be no requirement for ‘flipping’ of support from public funds between constituency and London homes, regardless of where MPs may choose to live, or are constrained to spend the majority of their time for such reasons as Ministerial duties.
- d. There should be no support from public funds for MPs to move their constituency homes under any circumstances; nor their London homes, unless there is an exceptional case recommended by their party leader that is approved by the appropriate authority and placed in the public domain, e.g. if they become a minister who is required to spend the majority of their time in London and requires larger accommodation to have their family accompany them.

e. Existing MPs should have reserved rights regarding their current locations agreed under the old rules, providing they were not an abuse of the old rules (the test being the one highlighted in paragraph 5.); unless an MP wishes to relinquish them and it does not require additional public funds to affect the change;

f. MPs newly elected to constituencies outside of London who already have a London home which they wish to retain, may be entitled to some allowances towards the cost of supporting it, if it is considered necessary for them to have a home in London for their Parliamentary duties and is approved as at (b) above. This will put them in exactly the same position as anyone else that does not already live in their constituency and is required to rent or buy a property there at their own expense. (It would not be sensible to ask them to sell a London home to buy a constituency home, and then raise a mortgage to purchase another London home.)

g. MPs who become Ministers and who take up official residences should cease to receive any allowances to maintain their London home after 12 months, or when it is sublet, whichever is the sooner; unless an exceptional case is approved for an extension of time and the reasons put in the public domain.

#### **Alternative Ideas for Supporting Accommodation Requirements in London.**

15. Rather than just tightening up the current regulations, alternative arrangements should be considered to see if there are any that might better meet the requirement, provide better value for money and reduce the scope for abuse. Indeed, the system where MPs are allowed to profit from increases in value of property supported by public funds has been questioned. The following changes to how accommodation is provided and/or changes to some of the allowances should be considered:

a. Providing some accommodation by any or combination of the following: using or converting unoccupied government owned buildings (in line with government policy to encourage the use of empty houses); purchasing suitable blocks of flats or individual houses, or taking over buildings in the Olympic village after the 2012 Games have taken place.

b. Having a home share scheme whereby the tax payer and MPs take a share in the property. MPs could then buy out the public's share at any time; or when they cease to be MPs, when it could also be sold and the profits shared.

c. Making allowances for mortgage interest payments a charge on the property which should be repaid within 12 months after someone ceases to be an MP, either from their own funds or by selling the property. In effect, MPs would get an interest free loan from public funds and would make a profit more in line with the money they have personally invested in the property.

d. Maintenance costs for essential structural repairs and for such things as replacement central heating boilers should only be allowed and then placed as a charge on the property, but depreciated to nothing over a period of 10 years, and recovered similarly to mortgage interest payments, as at (c) above.

- e. Having a central contract with a chain or chains of hotels, to provide suitable rooms for MPs, whenever they require to stay overnight in London on Parliamentary business. This should make savings through greater purchasing power.
- f. There should be set allowances for each element of PAAE and there should be no flexing of allowances between these elements. This flexing has led to abuses of the system where MPs appear to have used this as a means to maximise their allowances.
- g. A set amount should be allowed towards initial decorating and a first outfit of furniture of a home for which public funding is allowed. After that, the costs should fall to the MP.
- h. A flat rate should be provided to MPs required to stay overnight in a hotel to pay for their evening meal and necessary incidental expenses. However, this should be greatly reduced for MPs staying in their second home and limited to the nights necessary for them to be there for strictly parliamentary business (100 days maximum, as indicated in paragraph 12, or whatever figure the CSPL believe reflects the essential overnight accommodation requirement while Parliament is sitting).
- i. An allowance for service charges/ground rent, cleaning, insurance and basic security measures should be allowed. However, cleaning should be defined as domestic cleaning (no moats); and basic security should be defined as security locks and lights, an alarm system, and a safe (no private security patrols).
- j. The categories of allowances and their rates should be calculated by the use of proper scientific methods during quinquennial reviews, and in-between times adjusted annually by the rate of inflation, or interest rates as necessary.

### **Incorporating Some Allowances in MPs' Basic Pay.**

16. A number of MPs, including the Prime Minister, have suggested that some allowances should be incorporated into MPs basic pay, at a rate that represents a saving to the public purse compared to the current system. I believe there is no justification for this and there are a whole host of things against it, as follows:

- a. In view of the recent revelations about abuse of the system, an increase in basic pay would be unacceptable to the public who would view it as rewarding MPs for their past failures.
- b. It would be less transparent, when and greater transparency is needed to restore trust.
- c. It would be extremely difficult to determine the correct amount to be added to basic pay as past payments have been inflated by the abuses of the system.
- d. Allowances are based on the needs for MPs with widely different requirements. Therefore, there would inevitably be some who would be considerably in pocket and others who might be out of pocket to the extent that it might impinge on their ability to do the job properly.

e. There is no guarantee that MPs would spend the money to support themselves to the standard the public expects.

17. MPs' basic pay should be set by an independent public body and treated along the same lines as the rest of the public sector, i.e. they should be paid sufficient to recruit, retain and motivate them, whilst taking due account of the Government's spending and inflation targets. Their existing pay seems very reasonable to many others, in terms of public service. If MPs regularly start resigning on the grounds that their pay is insufficient, and there are insufficient people prepared to stand for election to Parliament, there may be a need for a rethink.

18. In the long term, it might be best to fix MPs pay to a particular Civil Service grade, with an appropriate adjustment to account for the differences in their pension schemes and for what can be the more temporary nature of an MP's job. Additionally, along with many in the public sector, consideration should be given to introducing a performance pay scheme for MPs. This might best be a collective scheme based on the performance of the economy. We might then get them all working together towards the same end on something that would demonstrably benefit us all.

### **Employment of MPs' Office Staff.**

19. In principle, and usually in practice, I believe jobs paid for out of public funds should be open to free and fair competition. However, I think it might be acceptable for MPs to employ their spouses provided certain safeguards are put in place. The reason I suggest this is because the careers of MPs' spouses could be disrupted by the nature of an MP's work and employing them in some capacity may compensate them for that and allow them to spend more time together. They can also often represent good value for money. What is required is a way of ensuring that a spouse is able to do the job satisfactorily and that the pay they receive is commensurate with their duties and that those duties are actually being undertaken. The first and second elements of this might easily be achieved. MPs should submit for scrutiny, to an independent body appointed by the Commissioner of Public Appointments, the job description, pay rates, and all details of the preferred candidate - CV, references, and details of any relationship they may have with them. Whether spouses actually fulfil all the duties is a little more difficult to determine. However, MPs could be subject to investigation and face disciplinary procedures if they are found to have abused this arrangement.

### **Paid Employment for Activities Outside of Parliament**

20. There are pros and cons to this. However, I have no problems, in principle, with MPs being paid for activities outside of Parliament, providing:

- It does not interfere with their ability to perform their constituency and Parliamentary duties (something which might be difficult judging by the long hours many of them claim to be doing already);
- There is no conflict of interest;
- Ministers should not be allowed to do this under any circumstances.

21. However, I believe these activities, apart from things such as after dinner speaking, should be subject to some closer scrutiny e.g.

- The appointments are subject to scrutiny by an independent body, where they should consider the things at 20. above; whether the MP has the necessary experience and skills to do what they are employed for; and are being offered pay commensurate with the job;
- Everything is transparently declared, so that their fellow MPs and their constituents are aware of what they are doing and the remuneration they receive.

22. One of the reasons MPs claim they take up paid employment outside of Parliament is to get specific experience, or keep in touch with what is happening in the real world in order to help them be a better MP. This is all very laudable and should perhaps even be encouraged, especially as some seem to enter politics with very little work or life experience. Indeed, perhaps the House of Commons authorities should run its own scheme for this purpose. Companies could then contact them offering such appointments for open competition amongst MPs, or for the House of Commons authorities to offer appropriate candidates for the jobs on the basis of the experience, skill or needs of volunteers. I suspect there are many companies who would be prepared to offer suitable jobs that should take up no more than one day a month or could be undertaken during parliamentary recess. The government could even ensure some work experience appointments are offered by the banks in which the public are now major shareholders.

I hope this is helpful.

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