

MPs' EXPENSES

a consultation

Contents

Foreword from Sir Ian Kennedy	5
Executive Summary	7
1 Introduction – scope of this consultation	14
About the IPSA	14
About this paper	14
Exclusions from this paper	16
Content of this paper	16
2 Principles of the new expenses scheme	18
Applying the principles	19
The interaction between principles and rules	19
3 Working as an MP	21
The role of a Member of Parliament	21
MPs’ employment status	22
What support does an MP need?	22
Conclusion	24
4 Expenses and allowances	25
Limits on expenditure	25
5 Administering the expenses scheme – a new approach	27
Submission of claims	27
Documentary evidence	28
Publication of claims	29
Other items for publication: an MP’s annual report?	30
Reviews	30
Ensuring compliance	30
Advice and guidance	31
6 Working from two locations – accommodation for MPs	32
Key principles	32
Our approach	32
Eligibility for expenses for accommodation	33
How should accommodation be funded?	34
Transitional arrangements	36
Limits on expenditure	38
Running costs for administration	40

7	Travel and subsistence	41
	Key principles	41
	Our approach: travel expenditure	41
	Evidence	41
	Eligible journeys	43
	Different means of transport: particular issues	43
	Travel by MPs' family members	45
	Subsistence arrangements	45
8	Staff for MPs	47
	Key principles	47
	Our approach	47
	Employment practices	48
	Employment of family members	49
	Transitional provision	50
	Transparency, audit and assurance	52
9	Working from a constituency	53
	Key principles	53
	Our approach	53
	Rental of office facilities	54
10	Running offices	56
	Key principles	56
	Our approach	56
	Ownership of office equipment and supplies	56
	Other costs	57
11	Payments on leaving Parliament	59
	Key principles	59
	Arrangements for the 2010 general election	59
	Longer term implications	59
	Winding up expenditure	60
12	Additional resources and contingency arrangements	61
	Current arrangements	61
	Key principles	62
	Our proposals	62
	Arrangements for contingencies	63
	Transferring funds	63
13	Next steps	65

Annex A	List of proposals	66
Annex B	Summary of allowances claimed, 2008–09	71
Annex C	Glossary of key terms	72
Annex D	Summary of CSPL recommendations and our proposals	73
Annex E	List of questions in this consultation	80
Annex F	How to respond to this paper	82

Foreword from the chair of IPSA, Sir Ian Kennedy



You would have to have been living on Mars over the past several months to have been unaware of the extraordinary stories about MPs' expenses which have been revealed. They have shaken Parliament to its roots. Shock has been rapidly replaced

by anger in the minds of people up and down the land. Nothing short of a complete overhaul of the system will do.

Public faith in Parliament has been profoundly damaged by the revelations. The system of self-regulation was exposed as deeply flawed and open to abuse. The system is discredited.

The Government and Parliament have taken action. The Parliamentary Standards Act was passed in July 2009. The Act created the Independent Parliamentary Standards Authority (IPSA). My colleagues and I were appointed to the Board of IPSA in November. The responsibility now falls to us to design the new scheme of expenses, and the mechanisms for ensuring that the scheme is observed and the rules enforced.

As part of that process of creating the new scheme, IPSA is required by law to consult certain designated people and bodies. We will do so. But to my colleagues and me, no consultation would be worth its name if we did not also engage with those most interested in and affected by any scheme – the taxpaying public.

To this end we now publish this consultation document. It sets out how we perceive our task and what proposals we are making. On a number of occasions we ask questions because we genuinely do not know which of a number of options will best do the job, both of serving the public interest and ensuring that MPs can work effectively. The new rules must command public

confidence. If they don't, it will be impossible to restore the public's confidence in our MPs, and thus in our parliamentary democracy.

The time for consultation is short. It has to be, if we are to gather in views, evaluate and reflect them in our scheme, and then publish the scheme in time for the forthcoming general election. Indeed, if the election is called before the beginning of May 2009, the new scheme will not be ready. We will have to put in interim arrangements.

But, even though the time is short, we are anxious to hear from as many people as possible. Do please, therefore, give us your views.

Sir Ian Kennedy
January 2010

Executive Summary

Introduction

- 1** The Independent Parliamentary Standards Authority (IPSA) is a new statutory body, independent from Parliament, Government and political parties. It was established by the Parliamentary Standards Act 2009, which passed into law on 21 July 2009. Parliament legislated to establish IPSA in response to the public outcry following revelations relating to the claims made under the existing expenses and allowances scheme for MPs.
- 2** This consultation paper seeks views on the content and administration of a new MPs' expenses scheme. It is our responsibility to determine the new rules, in the light of responses to this consultation. Our decisions do not need to be approved by Parliament or anyone else.
- 3** The next Parliament should start with a completely new system, independently designed and independently administered, and thus untarnished by association with what has gone before. An urgent solution is therefore needed, so that there can be a clean break from the now discredited system of self-regulation. Our aim in the short time available to us is as much as possible to design a system that will last the test of time. This is an opportunity to start afresh, and we are determined to seize this moment and satisfy a wide desire for change.
- 4** This consultation is not the end of the story. It is only the first step of a continuing consultation on the role of Members of Parliament and of Parliament itself. The Government has proposed to confer responsibility on IPSA the statutory function of determining the level of MPs' salaries and pensions. If that passes into law, we intend to consult widely on the appropriate remuneration and resourcing of Members of Parliament. That consultation will go beyond questions about expenses. This

present consultation is concerned simply with a system for administering expenses to be implemented at the start of the new Parliament.

Principles

- 5** The principles set out by the Committee on Standards in Public Life (CSPL) will form the basis of the new expenses system. We have drawn out two further principles which are also implicit in the CSPL's approach. These are set out as follows:

1. Members of Parliament should always behave with probity and integrity when making claims on public resources. MPs should be held, and regard themselves, as personally responsible and accountable for expenses incurred, and claims made, and for adherence to these principles as well as to the rules.
2. Members of Parliament have the right to be reimbursed for unavoidable costs where they are incurred wholly, exclusively, and necessarily in the performance of their parliamentary duties, but not otherwise.
3. Members of Parliament must not exploit the system for personal financial advantage, nor to confer an undue advantage on a political organisation.
4. a) The system should be open and transparent.
b) The system should be subject to independent audit and assurance.
5. The details of the expenses scheme for Members of Parliament should be determined independently of Parliament.
6. There should be clear, effective and proportionate sanctions for breaches of the rules, robustly enforced.
7. The presumption should be that in matters relating to expenses, MPs should be treated in the same manner as other citizens. If the arrangements depart from those which would normally be expected elsewhere, those departures need to be explicitly justified.
8. The scheme should provide value for the taxpayer. Value for money should not necessarily be judged by reference to financial costs alone.
9. Arrangements should be flexible enough to take account of the diverse working patterns and demands placed upon individual MPs, and should not unduly deter representation from all sections of society.
10. The system should be clear and understandable. If it is difficult to explain an element of the system in terms which the general public will regard as reasonable, that is a powerful argument against it.
11. The system should prohibit MPs from entering into arrangements which might appear to create a conflict of interests in the use of public resources.
12. The system must give the public confidence that high standards of honesty and decency will be upheld.

Q1: Do you agree that the CSPL's principles, supplemented as proposed, should form the basis of the new expenses system?

- Staffing support, for Westminster and constituency work;
- Rental of constituency offices and/or premises for constituency surgeries; and
- Running costs of offices in Westminster and in the constituency.

Expenses and allowances

- 6** We have identified five main elements of an MP's role which may require support from public funds which are not provided for directly by the House of Commons:
- Overnight accommodation, to reflect that many MPs necessarily work from two places;
 - A requirement to travel on business, between those two places of work, within their constituencies, and occasionally elsewhere (where there may also be a need for further overnight accommodation and other subsistence payments);
- 7** There are common elements to our approach in each of these areas. At the heart of our approach is the principle that MPs themselves must take responsibility for their actions. We believe as a matter of principle that it is preferable that MPs should receive expenses for costs actually and reasonably incurred, rather than a flat rate allowance, unless the cost of administering such a system is shown to be disproportionate to the benefits, or the use of expenses imposes an unreasonable burden on MPs to fund costs before claiming them back. This is the basis of the new relationship we believe MPs need to agree with the public.

- 8** We propose to apply annual limits to the amount that can be spent from public funds on each of the five main elements of our expenses scheme, except for travel and subsistence. Travel costs will vary too widely between MPs for any simple limit to be devised; and as there is limited scope for personal gain through the payment of travel expenses, it does not seem sensible to draw up a complex web of different limits for MPs based in different regions.

Q2: Do you agree with our proposal to concentrate on expenses rather than allowances wherever possible?

Q3: Do you agree that there should be annual limits to the amount that can be spent from public funds on each of the main elements of our expenses scheme, except for travel and subsistence?

Administering the system of expenses – our new approach

- 9** We intend to automate processes so that all claims have to be electronically submitted by the relevant MP directly. Under our proposals, all claims will need to be supported by documentary evidence unless there are strong reasons otherwise. MPs will not be able to enter into long-term arrangements to spend significant quantities of public money without prior approval. Two examples of this might be entering into a contract on office accommodation, or taking on a new member of staff.
- 10** We believe that all claims, whether approved or not, should be published *along with the supporting evidence and details of the outcome*. We intend to publish the claims as quickly as possible after they are made. We will reject any evidence which the MP or their staff member has attempted to “redact” before passing to us. We are also considering requiring each MP to publish an annual report, setting out publicly how they are spending the public money they receive.

Q4: Do you agree with our approach to the submission of claims?

Q5: Are you content with our proposed approach to the publication of claims?

Q6: Do you support the idea of requiring MPs to produce an annual report of their use of public funds?

Working from two locations – accommodation for MPs

- 11** Perhaps the most unusual aspect of MPs’ lifestyles is that most have two main places of work. Most MPs’ constituencies are too far away from Westminster for it to be sensible to commute daily from one to the other. These MPs will therefore need accommodation at a second location to do their jobs. It is right that there is public funding for that accommodation. But this does not necessarily mean a “second home”: the accommodation at that second location may be long or short term, whichever gives best value to the taxpayer.
- 12** There are also a small number whose constituencies are so close to Westminster that further accommodation is unquestionably not needed. The challenge is to draw the line in as fair a way as possible, so that payments are made only to those who need them. There are a number of options as to how we might do that, none of which is entirely straightforward to administer. Our preferred option is that MPs are eligible to claim for accommodation expenses unless their constituency contains a station within London transport zones 1-6.
- 13** Apart from some temporary transitional arrangements for current MPs who are locked into arrangements for their current property, there will be no payment by way of expenses from public funds for the cost of mortgage interest to MPs in the next Parliament. This means we will not be allowing MPs to have a “second home” at taxpayers’ expense, and we will therefore

not be giving them the opportunity to use public money to help increase the value of their homes. Funds will only be available for renting accommodation on the open market, or for hotel stays.

- 14** In the longer term there are several other options for how we might provide payment for accommodation. We are giving detailed consideration to the feasibility of the CSPL recommendation of putting into operation of a scheme along the model of the Ministry of Defence scheme for service personnel, as well as IPSA buying property itself, or contracting with a not-for-profit provider. Once we have identified a preferred long-term option, we hope to be able to pilot it in the next Parliament for those MPs elected at by-elections.
- 15** It is unreasonable to end the payment of mortgage interest immediately for those MPs who are now locked into arrangements for their current property. It is administratively simplest to time the end of any transitional arrangements to coincide with an election, as some MPs who might need to move home would in any case be standing down or defeated. There is also an argument that the tenure of an MP is inherently uncertain, such that MPs should not have locked themselves into long term mortgage arrangements dependent on public funding.

Q7: We propose that MPs are eligible to claim for accommodation expenses unless their constituency contains a station within London transport zones 1-6. Do you agree with this approach?

Q8: Which of the following is most important in a long-term system for accommodating MPs:

- **MPs having responsibility for their own actions;**
- **Cost to the taxpayer;**
- **No money passing through MPs' hands;**
- **Flexibility for MPs to identify properties that meet their particular needs?**

Q9: When should the payment of mortgage interest to existing MPs be ended?

- 16** In a representative assembly, it is hugely important that the membership reflects the diverse views and experiences of those who are represented. Our arrangements must not unduly deter representatives from any group in society. We propose to allow MPs with responsibilities for caring for others to apply for higher levels of accommodation expenses so that they can fulfil those responsibilities, without being out of pocket or prevented from becoming an MP.

Q10: Do you agree with our proposed approach to accommodation expenses for MPs with caring responsibilities?

- 17** We also propose to reimburse costs incurred in paying for council tax, water, electricity, gas or other fuel, ground rent, contents insurance, service charges and approved security measures. Claims for the costs of cleaning, gardening, or furniture purchases or maintenance would not be permitted.

Q11: Do you agree with our proposed list of running costs for accommodation which might be met through public funds?

MPs' travel and subsistence

- 18** Many people incur travel expenses in performing their jobs. The position of MPs is by no means unique. However, what is unusual is the extent of the obligations placed on MPs to travel, in particular between their constituency and Westminster. It would clearly be unfair to expect MPs to meet these costs themselves.
- 19** There are a number of ways in which we could ask MPs to document the justification for their claims, which we set out at para 7.7 of this paper.
- 20** We believe that MPs should normally be expected to claim for standard class for rail travel, and that they should only be entitled to claim for expenses for first class travel in exceptional circumstances (which we set out in Chapter 7). Claims for air travel within the UK would be for economy class only. We will also implement the CSPL's recommendation that MPs should meet the costs of their daily commute to work whether it is to Westminster or their constituency.
- 21** MPs are currently entitled to claim £25 a night for the cost of food and drink whenever they are away from their designated "main home". We propose to limit subsistence payments to occasions when MPs have travelled on parliamentary business away from either of their regular places of work. The exact amount paid out will be based on actual expenses incurred.

Q12: Which of the options that we set out do you favour in providing assurance about claims for travel expenses?

Q13: Do you agree with our approach to travel by public transport, including ordinarily travelling standard class?

Staff for MPs

- 22** IPSA will provide each MP with funds for staff, on condition that MPs demonstrate that they are complying with employment law and are acting in accordance with good practice. We will require MPs to obtain prior authorisation before they enter into a contract with a new staff member. MPs should meet industry standards if they are to receive public money for the employment of staff. As employers, MPs have a responsibility to determine what is necessary to meet those standards.
- 23** The most contentious element of the administration of the staffing allowance has been the employment of MPs' family members at public expense. The CSPL has recommended that this practice should be brought to an end. They saw it creating an unacceptable conflict of interests in the use of public resources. We understand the public's concern about potential abuse. However, we have heard very strong views expressed since the publication of the CSPL's Report that in practice, family members may be the best qualified applicant for the MP's office, and often work, without pay, far beyond the requirements of their contracts. On that basis, we feel it is right to allow an opportunity for others to set out to us their views on whether prohibiting the employment of family members is necessary and proportionate.
- 24** We have identified three broad options:
- a) We could prohibit the use of public money in employing family members, as recommended by the CSPL report.
 - b) The recruitment process for MPs' staff could be revised, with safeguards put in place to strengthen independence and transparency. Such safeguards could include limits on the MP's involvement in the recruitment process, or following widely approved recruitment models (such as those recommended by ACAS or OCPA), which include open advertisement for posts.

- c) We could allow some or all of an MP's appointments to be made without a fair, open competition. In this scenario, we would expect MPs to justify in writing why there were not conducting an open competition, and would publish that justification.

Q14: We propose to prohibit the use of public funds in the employment of family members by MPs. Do you agree with this approach?

- 25** We agree in principle that if we were to decide to prohibit the use of public funds to employ family members, this should include those who are currently so employed. A five year transition period before ending funding for this would prevent it from being punitive, and provide adequate notice. We would define family member in this instance to mean:

- spouses or civil partners of the MP;
- direct descendants of the MP or their spouse/civil partner; or
- dependent direct relatives in the ascending line (i.e. parents and grandparents of the MP or their spouse/civil partner).

Rental of constituency offices

- 26** We believe that the administrative costs of serving as an MP break down into two broad categories. There are costs specifically arising from running an office away from Westminster (which we refer to as Constituency Office Rental Expenditure, or CORE), and there are some general administrative costs which might arise from work in Westminster or in the constituency. Currently these are provided from a single budget. We propose splitting the two types of expense, to give greater clarity to all concerned.
- 27** By paying rental expenses only to those who intend to rent, we will ensure that those MPs who do not currently claim for office rent or surgery use will no longer have an advantage

over those who do claim. This should produce savings to taxpayers where an MP has no need to claim for office rental.

- 28** The House of Commons had previously specifically prohibited renting from and buying services from family members and made this explicit in its rules adopted in 2006. However, this prohibition was omitted in later versions of the rules. We propose to restore it.

Q15: We propose that IPSA should prohibit MPs from renting from, or purchasing goods or services from, members of their families. Do you agree with this approach?

Other expenses

- 29** We propose to meet certain costs of running offices through the capped provision of expenses, which MPs can incur working in Westminster or their constituency as they feel is necessary (subject, of course, to approval of each claim). The budget might cover costs such as: stationery, interpreting, sign language and translation services, advertising of constituency meetings and surgery times, contact cards, staff training beyond that provided by the House of Commons, recruitment services, and staff's travel. All other currently available types of communications expenditure will be excluded, and there will be no separate communications allowance.
- 30** We remain unconvinced of the need for payments to the MP on leaving parliament. We note that in some other professions where there is a risk of unexpected job losses, there is a market for people to take an insurance policy for such an eventuality. MPs voluntarily accept a career with a high level of uncertainty, and we understand that many would want arrangements in place to help mitigate that uncertainty. We do not believe, however, that there is a clear-cut case that the taxpayer should bear the cost of supporting those arrangements.
- 31** Subject to certain limits, MPs may currently transfer funds not spent on staffing or administrative expenditure to certain other areas, for example to be spent on

communications. No approval from the House of Commons Operations Directorate is required to do this. This practice is sometimes referred to as “virement”. We believe that individual budgets should have clear caps, and that funds should not be transferrable from one budget to another.

Q16: Do you agree with our proposed approach to communications expenditure?

Q17: Do you believe there should be any form of payment in the event of an MP leaving Parliament, either voluntarily or otherwise?

Next steps

- 32** This consultation closes on 11 February 2010. We will use the responses to inform the content of the expenses scheme, which will be laid before Parliament before the general election if it is called in May or June 2010. We will produce an Equality Impact Assessment to be published alongside the final scheme. In the meantime, we invite those responding to raise any concerns about the possible unintended consequences of anything we have set out in this paper.
- 33** We would also welcome any suggestions on further areas we should consider which have not been referred to in this consultation paper.

Q18: What impact do you believe our proposals might have on the diversity of representation in the House of Commons?

Q19: Are there further areas we should consider which have not been referred to in this consultation?

1 Introduction – scope of this consultation

About the IPSA

- 1.1** The Independent Parliamentary Standards Authority (IPSA) is a new statutory body, independent from Parliament, Government and political parties. It was established by the Parliamentary Standards Act 2009, which passed into law on 21 July 2009. Parliament legislated to establish IPSA in response to the public outcry following revelations relating to the claims made under the existing expenses and allowances scheme for MPs.
- 1.2** The Parliamentary Standards Act requires IPSA to perform various functions and gives it certain responsibilities in relation to MPs' salaries, allowances and financial interests. These can broadly be summarised as:
- Setting an expenses regime for MPs;
 - Administration of that regime;
 - Payment of MPs' salaries;
 - Development of a Code of Conduct relating to MPs' Financial Interests; and
 - Support for a new statutory office holder, the Commissioner for Parliamentary Investigations.
- 1.3** Currently, MPs are responsible for designing their own allowances scheme. MPs set the rules on what claims can be made, and House of Commons staff administer those rules. The inner workings of that system were exposed to public scrutiny in 2009, and the public was profoundly shocked by what was revealed. Practices were exposed that did not reflect the standards the public expects of its representatives, and the scale of abuse revealed was sufficient to damage public faith in democratic institutions.
- 1.4** Public trust in politicians has never been high, but it has fallen sharply in recent months. According to Ipsos Mori, only 13% of people now trust politicians to tell the

truth, down from 21% in 2008.¹ That score is the worst MPs have recorded in the poll's 26-year history and means they are now the group of people most distrusted by the public.

- 1.5** The establishment of IPSA is one consequence of this loss of confidence. Although it is difficult to quantify precisely, revelations about the use and misuse of expenses have undoubtedly had a significant effect on these historic levels of distrust. In particular, the public clearly no longer trusts MPs to set and administer their own rules on expenses.
- 1.6** The establishment of IPSA represents a break with the discredited system of past. It is a necessary first step on the long road to restoring confidence. For the first time, decisions relating to the setting and payment of MPs' expenses and allowances will no longer be taken by the MPs themselves, but by an external and independent body. This is the basis of our consultation, and it defines our purpose.

About this paper

- 1.7** This consultation paper seeks views on the preparation of a new MPs' expenses scheme. A great many views have already been expressed on how MPs' expenses should be administered in future – not least by all of those who submitted evidence to the recently concluded inquiry by the Committee on Standards in Public Life. We do not want to re-run that inquiry. This consultation is focused on setting out proposals for a system to be administered after the next general election, so that all those with an interest may have the opportunity to consider them and put their views forward.

¹ Statistic taken from the latest Veracity Index October 2009, an annual survey by IPSOS Mori.

- 1.8** IPSA is under a statutory duty to consult on the drafting of a new scheme. We want to hear from a wide range of people and organisations, in addition to those whom we are required by the statute to consult.
- 1.9** Following this consultation, it is our responsibility to determine the precise content of the expenses scheme. In doing so, we will review carefully all comments received. Our decisions do not need to be approved by Parliament.
- 1.10** This paper does not include a draft of an actual expenses scheme. We believe it is more fruitful to consult earlier in the process, on the principles of our approach.
- 1.11** We are also conscious of the need for an urgent solution, so that there can be a clean break from the now discredited system of self-regulation. Our aim in the short time available to us is, as much as possible, to design a system that will last the test of time. This is an opportunity to start afresh, and we are determined to seize this moment and satisfy the desire for change. The next Parliament should start with a completely new system, independently designed and independently administered, and thus untarnished by association with what has gone before.

What happens next?

- 1.12** This consultation is being conducted in accordance with the Cabinet Office's Code of Practice on Consultation. But the pressing need for development of the new scheme has meant that we are not able to consult for the twelve-week period recommended in that Code. We believe this is justified both by the urgency of delivering a new expenses scheme for the new Parliament, and by the fact that a wide consultation has recently been conducted by the Committee on Standards in Public Life.² This paper forms just one part of a wider effort to listen to views from all interested parties.
- 1.13** Once this consultation is complete, we intend to analyse the results and publish a complete scheme for laying in Parliament. This scheme would come into force at the

date of the next general election. For the purposes of this consultation it is assumed that the general election will not be before May 2010. Detailed planning for IPSA to be operational by then is well advanced. Should the election take place earlier than May, it may not be possible for IPSA to be operational in time. Contingency plans are currently being prepared. These might involve the passage of an emergency scheme to bridge the gap until our scheme is ready. This would be based on the provision of advances for all MPs, to be subsequently recovered from money that would otherwise be paid as reimbursement for expenses incurred.

- 1.14** This consultation cannot be the end of the story. There is a broader task to be undertaken, but it is one that must be addressed when there is more time for reflection. The time is right for a discussion on the proper role of a Member of Parliament, with a view to establishing a shared national understanding. On the basis of that understanding, we can fairly judge the level of remuneration, support and resources which should be made available to MPs from the public purse to fulfil that role.
- 1.15** We note that legislation is now proposed that would confer on IPSA the statutory function of determining the level of MPs' salaries and pensions. If that passes into law, it will be IPSA's responsibility alone to decide matters relating to MPs' overall remuneration. ***Early in the next Parliament, we will consult widely on the appropriate remuneration and resourcing of Members of Parliament. That consultation will go beyond questions about expenses. This present consultation is concerned simply with a system to be implemented at the start of the new Parliament.***

Exclusions from this paper

- 1.16** We are focused on the future and not the past. This paper does not attempt an analysis of what went wrong, or of the well-documented failings of the old system. We have not been given the job of investigating individual MPs' past actions. We have no relationship to the work being done by Sir Thomas Legg to audit MPs' past claims,

² The report and all of the evidence taken is publicly available at: <http://www.public-standards.gov.uk/>

though we will be sure to learn any lessons that he identifies. We will also be guided by the experiences of others who have considered these questions recently, in particular by the reforms which are taking place in Scotland and Wales.

1.17 This paper is also not a direct response to the recent report from the Committee on Standards in Public Life (CSPL), *MPs' Expenses and Allowances*.³ That report is central to this consultation, but we are concerned only with those parts of it which relate to the content of a new expenses scheme. Many of the report's recommendations relate to matters which are beyond our remit, and on these we offer no opinion.

1.18 As we do not, at this juncture, have responsibility for determining the levels of MPs' salaries and pensions, we have not taken a view on the appropriate level for these. Nor do we feel it is necessary to do so. We take the approach of considering expenses in isolation from determination of salaries. It is not appropriate for an expenses system to be in any way a substitute for salary increases.

1.19 Section 5(4) of the Parliamentary Standards Act requires us to consult in the preparation of a new allowances scheme (which for reasons we set out later, we refer to as an "expenses scheme"). Other sections of the Act require us to consult on different aspects of our role:

- Section 8 requires us to consult in the preparation of the MPs' Code of Conduct for Financial Interests.
- Section 9 requires us to consult on aspects of how investigations into MPs might be carried out by the new Commissioner for Parliamentary Investigations.

1.20 Following a recommendation from the Committee on Standards in Public Life, the Government has indicated that it intends to repeal Section 8 of the Act.⁴ If Parliament approves this proposed amendment, these responsibilities will not pass to IPSA and

will remain with the House of Commons. The Government has also indicated that it intends to amend the Act to replace the Commissioner with a compliance officer, whose functions would be subtly different. We are therefore not currently intending to carry out these consultations, or at least not in the form originally envisaged.

Content of this paper

1.21 Throughout this paper, we attempt wherever possible to set out the thinking behind what we propose. We have attempted to write this paper in such a way as to reflect our overall approach, which is to first determine the fundamental principles which guide us, then shape an approach based on those principles, and finally tailor that approach as necessary to each particular category of expense. In light of that, this paper is organised as follows:

- Chapter 2 sets out the proposed fundamental principles of the new system of expenses;
- Chapter 3 examines the role of Member of Parliament and what support is needed for it from public funds;
- Chapter 4 looks at the difference between expenses and allowances, and explains our preference for the former;
- Chapter 5 sets out our the key components of our new approach to regulating the system of expenses for MPs;
- Chapter 6 looks at the provision we propose to make for meeting necessary expenses for overnight accommodation;
- Chapter 7 looks at reimbursing MPs for expenses for travel and subsistence;
- Chapter 8 considers how staffing support for MPs might be provided;
- Chapter 9 looks at provision for office rental in constituencies;
- Chapter 10 looks at how MPs might be expected to meet the running costs of their offices;
- Chapter 11 considers the payments for MPs on leaving office;

³ Hereafter referred to as "the CSPL's Report".

⁴ HC Deb, 10 December 2009, col 34WS

- Chapter 12 looks at other expenses that MPs might be entitled to; and
- Chapter 13 sets out our proposed next steps.

1.22 There is now a clear mandate from the public and from all main political parties for change. This paper sets out how we will respond to that mandate.

2 Principles of the new expenses scheme

- 2.1** It is essential that the new expenses scheme is informed by a clear set of principles. Those principles need to meet the standards expected by the public of us and of MPs. ***While we provide a service to MPs, it is the public whom we serve first and foremost.***
- 2.2** The functions of an MP cannot be carried out by the MP alone. MPs are free to determine how they carry out their role, and this freedom has practical implications that we discuss in the next chapter. But it is evident that MPs require staff and resources to assist them in carrying out their duties. In addition to research and secretarial support,

this assistance may include help with the costs of accommodation, running an office, and travel. If MPs are to meet the public's expectations of them, clearly some degree of public funding must be made available to meet these costs. Equally, it is clear that limits and conditions must be placed on that funding.

- 2.3** ***The principles set out by the Committee on Standards in Public Life will form the basis of the new expenses system.*** We reproduce them here in full. We note that they have been endorsed by the leaders of each of the three main political parties. We also endorse them.

1. Members of Parliament should always behave with probity and integrity when making claims on public resources. MPs should be held, and regard themselves, as personally responsible and accountable for expenses incurred, and claims made, and for adherence to these principles as well as to the rules.
2. Members of Parliament have the right to be reimbursed for unavoidable costs where they are incurred wholly, exclusively, and necessarily in the performance of their parliamentary duties, but not otherwise.
3. Members of Parliament must not exploit the system for personal financial advantage, nor to confer an undue advantage on a political organisation.
4.
 - a) The system should be open and transparent.
 - b) The system should be subject to independent audit and assurance.⁵
5. The details of the expenses scheme for Members of Parliament should be determined independently of Parliament.
6. There should be clear, effective and proportionate sanctions for breaches of the rules, robustly enforced.
7. The presumption should be that in matters relating to expenses, MPs should be treated in the same manner as other citizens. If the arrangements depart from those which would normally be expected elsewhere, those departures need to be explicitly justified.
8. The scheme should provide value for the taxpayer. Value for money should not necessarily be judged by reference to financial costs alone.
9. Arrangements should be flexible enough to take account of the diverse working patterns and demands placed upon individual MPs, and should not unduly deter representation from all sections of society.
10. The system should be clear and understandable. If it is difficult to explain an element of the system in terms which the general public will regard as reasonable, that is a powerful argument against it.

⁵ We separate this principle into its constituent parts. See para 2.6.

2.4 There are two further principles, which are implicit in the CSPL's approach, which merit explicit expression:

- **The system of expenses should prohibit MPs from entering into arrangements which might appear to create a conflict of interests in the use of public resources.**
- **The system must give the public confidence that high standards of honesty and decency will be upheld.**

Q1: Do you agree that the CSPL's principles, supplemented as proposed, should form the basis of the new expenses system?

Applying the principles

2.5 It is not sufficient merely to propound these principles. Throughout this paper, as we set out proposals for each category of expense and payment, we identify the principle which is particularly pertinent to that category. To take a simple example, conflicts of interest have greater potential relevance to any discussion on employment of MPs' family members than to consideration of what travel expenses can be claimed.

2.6 Of course, some of the principles are clearly fundamental in shaping each and every aspect of the scheme:

- *Members of Parliament should always behave with probity and integrity when making claims on public resources. MPs should be held, and regard themselves, as personally responsible and accountable for expenses incurred, and claims made, and for adherence to these principles as well as to the rules.* This principle of personal responsibility is particularly important. It puts a clear onus on MPs to think about the implications of their actions, rather than relying solely on a rulebook or on advice from others. The spirit of the rules is as important as the letter. For this reason, MPs should be required to certify that each claim they incur is justified and appropriate.

- a) *The system should be open and transparent.*
- b) *The system should be subject to independent audit and assurance.* We separate this principle into its constituent parts. There can be no return to the days when taxpayers did not know how public money was being spent. Democratic accountability requires that constituents be able to make an informed choice on who should represent them, based on all relevant information, of which the proper use of public funds is an important factor. Taxpayers also need reassurance that the use of public money is always subject to rigorous controls, and that any errors, inadvertent or otherwise, will be detected and put right.

- *The details of the expenses scheme for Members of Parliament should be determined independently of Parliament.* We will be independent in our determination of the new rules and in our enforcement of them.
- *The scheme should provide value for the taxpayer. Value for money should not necessarily be judged by reference to financial costs alone.* We take this to mean that the option which may be the cheapest to administer in the short term may carry greater costs in the long term, including to the reputation of the whole parliamentary system. We must be prepared to pay the cost of maintaining confidence in democracy. There is no value in a system that fails to do so.

The interaction between principles and rules

2.7 We have a clear responsibility to set rules for when payments should be made and when they should be rejected. But the House of Commons has made it very clear that responsibility for observing and enforcing the MPs' Code of Conduct should continue to lie with MPs themselves. That Code is the appropriate place for setting out the rules to which MPs must adhere.

2.8 *In order for the new expenses regime to operate effectively, we suggest that the House of Commons should incorporate into its Code of Conduct two principles from the CSPL report. These are:*

- *Members of Parliament should always behave with probity and integrity when making claims on public resources. MPs should be held, and regard themselves, as personally responsible and accountable for expenses incurred, and claims made, and for adherence to these principles as well as to the rules.*
- *Members of Parliament should not exploit the system for personal financial advantage, nor to confer an undue advantage on a political organisation.*

2.9 *IPSA would then notify the Parliamentary Commissioner for Standards when we encountered behaviour which might be considered to be in breach of those principles. If the Government's proposed legislative changes are successful, it will be the responsibility of IPSA's compliance officer to ensure compliance with the rules on expenses.*

3 Working as an MP

'Your representative owes you, not his industry only, but his judgment; and he betrays, instead of serving you, if he sacrifices it to your opinion ... Parliament is not a congress of ambassadors from different and hostile interests, which interests each must maintain, as an agent and advocate, against other agents and advocates; but parliament is a deliberative assembly of one nation, with one interest, that of the whole; where, not local purposes, not local prejudices ought to guide, but the general good, resulting from the general reason of the whole. You choose a member indeed; but when you have chosen him, he is not member of Bristol, but he is a member of parliament.' Edmund Burke's Speech to the Electors of Bristol, 3 November 1774.

'The first duty of a member of Parliament is to do what he thinks in his faithful and disinterested judgement is right and necessary for the honour and safety of Great Britain. His second duty is to his constituents, of whom he is the representative but not the delegate. Burke's famous declaration on this subject is well known. It is only in the third place that his duty to party organization or programme takes rank. All these three loyalties should be observed, but there is no doubt of the order in which they stand under any healthy manifestation of democracy.' Sir Winston Churchill on the Duties of a Member of Parliament.

The role of a Member of Parliament

3.1 MPs are at the heart of a representative parliamentary democracy. Consequently, it is essential that the new system enables them to be properly supported and compensated for expenses appropriately incurred as part of their parliamentary and constituency

duties. Defining those duties is notoriously difficult to do. The quotations above were chosen by the Select Committee on the Modernisation of the House of Commons in 2007 to illustrate the difficulty. Both invite challenge and dissent.

3.2 *It is fundamental to our parliamentary democracy that MPs be free to determine how they are to carry out their role, and are judged at the ballot box on their performance. There is, and can be, no formal job description.* Aside from representing a constituency, the functions of MPs are therefore largely dictated by custom, convention and political priorities.

3.3 However, the Modernisation Committee suggested that most people would agree that MPs performed the tasks listed below:

- *supporting their party in votes in Parliament (furnishing and maintaining the Government and Opposition);*
- *representing and furthering the interests of their constituency;*
- *representing individual constituents and taking up their problems and grievances;*
- *scrutinising and holding the Government to account and monitoring, stimulating and challenging the Executive;*
- *initiating, reviewing and amending legislation; and*
- *contributing to the development of policy whether in the Chamber, Committees or party structures and promoting public understanding of party policies.⁶*

3.4 This is not the place to create an exhaustive list of the work undertaken by MPs. We intend to return in a subsequent consultation to consider more fully the

⁶ Select Committee on the Modernisation of the House of Commons, First Report of Session 2006-07, "Revitalising the Chamber: the role of the back bencher", HC 337, p9

role of an MP, what level of service we might expect from MPs as servants of their constituents and of the nation as a whole, and what level of support from public funds should be provided. For the purpose of this paper, we assume that the list set out by the Modernisation Committee is a fair reflection of the categories of work undertaken.

MPs' employment status

- 3.5** MPs are recognised in employment law as office holders. They may operate with some of the characteristics associated with a small business, but they are not self employed. An office holder may not have a contract of service, but in all practical matters is treated for tax and National Insurance purposes as an employee. Although there is no job description, the role carries with it expectations as to what the holder's duties are.
- 3.6** The practical implication of this is that MPs need both significant support in their role, and significant discretion to determine what that support should be. Because there is a public expectation that MPs should provide certain services, it is reasonable for the taxpayer to support them in a way that a self-employed person would not be supported. However, because MPs are not employees, there is nobody to fulfil what would usually be an employer's functions on behalf of the taxpayer. In practice, this means that a great deal of what an MP requires is provided directly by the House of Commons.

What support does an MP need?

- 3.7** We have not adopted the categories of allowances used in the present scheme. Instead, we have sought to go back to first principles, and simply ask what it is that MPs do that calls for support from the public purse.
- 3.8** Most of the support needed by MPs can be explained by setting out the day-to-day experience of a backbencher. Ministers and others with defined roles within the House

of Commons⁷ or within a political party have additional needs for support, which are provided for separately. We have focused on two areas: the experience of arriving as a new MP; and the typical weekly routine of a backbencher when the House is sitting.

The new MP's experience

- 3.9** The vast majority of MPs enter Parliament at a general election. A new MP discovers that he or she has been elected only moments before it is announced to the public. MPs cannot usually be confident that they will secure the role, and so will normally have done little forward planning, not least because the demands of campaigning for office are non-stop. Even if the would-be MP wanted to plan ahead, there would be no funds available to support this; nor should there be, as it would be improper to pre-empt the electorate's decision.
- 3.10** Once the election's results have been announced, there is usually a period of no more than two weeks before proceedings begin in the House of Commons, after which an expectation will rapidly grow that the new MP will devote their time to business in Westminster and in their constituency. Indeed, the expectation may grow even earlier than that; MPs often inherit a postbag of correspondence from constituents who relied on their previous MP for support, or who hope that the new MP will be able to achieve something that the predecessor did not. There will also be requests from the media and invitations to make appearances in the constituency from the day after the election. MPs elected in by-elections may have even less time between their election and beginning work.
- 3.11** Each MP is provided with office accommodation on the parliamentary estate in Westminster, with computers, telephones and furniture. The House of Commons also provides support for the equipment and for cleaning. None of this is charged to the MP. But although this is all valuable to the MP, it is often not available immediately. MPs who have lost their seats at the recent election are given a short period to vacate

⁷ Included in this category are chairmen of Select Committees and of General Committees, and the Speaker of the House and his deputies.

their offices. Once this is complete it often takes a while for new offices to be allocated. The House of Commons has worked hard to make this process as smooth as possible ahead of the forthcoming election, but accommodating large numbers of newly arriving MPs is necessarily difficult.

- 3.12** In the constituency, even less is provided to a new MP. Although many will have campaigned from either a personal or party office, this may not be suitable for the demands of managing their constituency's business. Where MPs take over from an incumbent in the same party, they may be more likely to take over the existing constituency office. But a great many MPs will find themselves immediately searching for a place to work. Once found, unlike the office in Westminster, it will not automatically be equipped with telephones and IT hardware and software. It may, indeed, require rapid furnishing. Funds for this need to be provided from the public purse.
- 3.13** The MP will also need somewhere to live. Some non-London MPs will already have accommodation in or close to their constituency and Westminster, but many will not. Some new MPs are lifelong residents of their constituency, and might have nowhere to stay in London. Others will be based permanently in London and would most likely have been campaigning out of temporary accommodation in the constituency. Still others might have no accommodation at either location. All need to take rapid steps to address this, which is necessarily time consuming and expensive.
- 3.14** In making these preparations, the MP will start incurring costs almost immediately; on travel and on hotels at the very least. Perhaps most pressing, though, will be the need for support staff. As the workload grows, it will not be sustainable for the MP to work unsupported. Although some will have some support from those who helped in the campaign to elect them, this is not the case for all MPs. Once the House of Commons begins to sit, there will be a need for offices to be staffed, if only just to answer the phone. Some of this might be achieved by temporary staff, and some

political parties may provide this, but the MP will usually want to act quickly to make permanent appointments.

When the House is sitting – a typical week

- 3.15** On a Monday morning, MPs might wake up in accommodation in London or their constituency. Some constituencies are several hours' travel from Westminster. The House of Commons does not sit until 2:30pm on a Monday largely to accommodate this.⁸ For those already in London, this is an opportunity to meet staff, answer correspondence, read papers, table written questions to the Government, or hold meetings with interest groups or other MPs (all of which activities go on through the week, interspersed between the MP's more visible parliamentary duties).
- 3.16** Proceedings in the main chamber of the House of Commons begin in the afternoon with an hour of questions to a minister, followed by any urgent statements or questions. Depending on what has been agreed for that day's schedule, there might then be a debate, usually on elements of a Bill which the Government has proposed. There will often be votes throughout the day which most MPs will attend, and these are likely to continue until at least 10:30pm. Another short debate will follow after that final vote, usually on a constituency matter. This is rarely attended by many MPs. Meanwhile, committee and party meetings will take place throughout the afternoon and often into the evening, potentially being interrupted by votes in the chamber.
- 3.17** At first glance, Tuesday's schedule appears similar. While proceedings in the main House of Commons Chamber do not begin until 2:30pm, Westminster Hall (which functions as an additional debating chamber, usually for relatively non-contentious matters) sits from 9:30am until 2.00pm. Public Bill Committees, whose function is to scrutinise legislation in detail, regularly meet on Tuesday mornings, and backbench MPs can spend significant amounts of time serving on them. Tuesday morning is also a common

⁸ Notwithstanding the late start on Monday, some constituencies are sufficiently far from London to require MPs to travel on Sundays.

time for Select Committees to meet, and most backbench MPs are involved in at least one. Most are also involved in All Party Groups.

- 3.18** On Wednesdays, proceedings start and finish earlier, with the week's showpiece event, Prime Minister's Questions, which is attended by almost all MPs, at noon. Many committees also meet on Wednesdays. Thursdays and Fridays are different again, as many MPs will leave Westminster for their constituencies over the course of the second half of the week. Around half of the Fridays in each parliamentary session are non-sitting Fridays, which means all MPs are able to focus on other tasks.
- 3.19** When the House does sit on a Friday, it considers private members' bills, which give backbenchers an opportunity to initiate legislation. By this point of the week, though, many MPs have made their way to their constituencies. Over the course of Friday and the weekend, it is common practice to hold surgeries. These offer constituents the opportunity to meet one-to-one with their MP and seek his/her intervention on anything that concerns them. The discussions might range from local issues to questions about the MP's position on national policy.
- 3.20** Constituents' requests for help generate a significant amount of work for the MPs, in researching the case and liaising with the relevant part of government. The requests will often also require expertise on a particular policy or aspect of public service. Most MPs retain more than one member of staff to carry out this type of constituency casework. Such staff are usually based in the constituency.

Equally, we should ensure that nothing important falls between IPSA and the House.

- 3.22** We have identified five main elements of an MP's role which may require support from public funds which is not provided for directly by the House of Commons:
- Overnight accommodation, to reflect that many MPs necessarily work from two places;
 - A requirement to travel on business, between those two places of work, within their constituencies, and occasionally elsewhere (where there may also be a need for further overnight accommodation and other subsistence payments);
 - Staffing support, for Westminster and constituency work;
 - Rental of constituency offices and/or premises for constituency surgeries; and
 - Running costs of offices in Westminster and in the constituency.
- 3.23** This categorisation is new, and marks a break with the old system. It is compatible with the approach taken by the CSPL.
- 3.24** The majority of this paper is taken up by exploring each of these five elements in turn. First, though, we turn in the next two chapters to the common themes which link the five elements of our system, looking in particular at our proposed new approach to administering our new regime. As we examine each element, we will draw attention to the relevant principles set out by the CSPL.

Conclusion

- 3.21** It is not our place to determine what is provided to MPs direct by the House of Commons. Rather, our role is to ensure MPs secure whatever appropriate support they do not already receive from the House of Commons. ***It will be necessary for us to keep sight of the scale and scope of provision by the House of Commons, to ensure that MPs are not provided with the same services by both IPSA and the House.***

4 Expenses and allowances

4.1 For a long time, MPs have had access to both expenses *and* allowances. There is a distinction between the two:

- Expenses are payments made in recompense for actual, defined costs which have been incurred.
- Allowances are paid at a flat rate, nominally for a defined purpose but with freedom in practice for recipients to spend as they see fit. Flat rate allowances are typically taxable.

4.2 The Parliamentary Standards Act uses the term “allowances scheme”. In practice, we are free to choose the manner in which payments are made. On the basis of the principles set out in Chapter 2, we take the view that our scheme should, as much as possible, be an “expenses scheme”, rather than an “allowances scheme”. Expenses relate directly to costs incurred, and the provision of expenses allows a mechanism for approval of individual items of expenditure, which we believe is crucial to good administration and to recovering the confidence of the public in the system.

4.3 Not all of the five elements of an MP’s role identified in the last chapter (at para 3.22) necessarily qualify for what the public understands by the term “expenses”. The provision of support for staffing is a good example. A staff member is clearly not commonly understood as an expense in the way that a bus ticket or a photocopier is. We believe, therefore, that funds for provision of staff should be dealt with separately from funds for expenses. We discuss arrangements for funding MPs’ staff in Chapter 8.

4.4 ***At the heart of our approach is the principle that MPs themselves must take responsibility for their actions. We believe as a matter of principle that it is preferable that MPs should receive expenses for costs actually and reasonably incurred, rather***

than a flat rate allowance, unless the cost of administering such a system is shown to be disproportionate to the benefits, or the use of expenses imposes an unreasonable burden on MPs to fund costs before claiming them back. This is the basis of the new relationship we believe MPs need to agree with the public.

Q2: Do you agree with our proposal to concentrate on expenses rather than allowances wherever possible?

Limits on expenditure

4.5 Although all employers seek to develop cost effective expenses systems, not all limit the total amount that individuals are permitted to spend per year. Many employers take the approach that if an expense needs to be incurred for a job to be done, it should be incurred and then subsequently reimbursed, regardless of how much expense has previously been incurred by that employee.

4.6 MPs’ expenses are paid from public money, however, and it is rarely appropriate to allow expenditure on public money to be incurred without a limit. Given public concern about levels of spending on certain expenses, it seems unreasonable to expect the public to have confidence in a system where expense claims are not limited. Taxpayers have made it clear that they will not tolerate public subsidy of lifestyles which seem extravagant. We also need to recognise that most MPs are competing with other political parties, and are under significant pressure to use all the resources available to maximise their effectiveness. If we do not limit expenditure, this pressure might well lead to ever increasing levels of claims.

4.7 We propose to apply annual limits to the amount that can be spent from public funds on each of the five main elements of our

expenses scheme, except for travel and subsistence. Travel costs will vary too widely between MPs for any simple limit to be devised; and as there is limited scope for personal gain through the payment of travel expenses, it does not seem sensible to draw up a complex web of different limits for MPs based in different regions. There will, however, be limits (the amounts of which are not set out in this paper) on what can be spent on:

- Overnight accommodation;
- Staffing support;
- Rental of constituency offices; and
- Administration of offices.

Q3: Do you agree that there should be annual limits to the amount that can be spent from public funds on each of the main elements of our expenses scheme, except for travel and subsistence?

5 Administering the expenses scheme – a new approach

5.1 Ensuring that claims are valid is the cornerstone of any properly functioning system of expenses. Our task is to lay down clear and unambiguous rules and then consistently and rigorously enforce them, so that the public can have confidence that the expenses system is being used as intended.

5.2 The Comptroller & Auditor General has been appointed by statute as the external auditor of IPSA. This means that IPSA's Accounting Officer (our Chief Executive) will need to be able to demonstrate that all use of public funds complies with our statutory remit, and that all of IPSA's transactions conform to what is required of us. In effect, what this means is that any payment that we make to MPs in meeting a claim will itself be subject to scrutiny. Our processes will therefore be scrutinised by the National Audit Office, which will report to Parliament and the public on the economy, effectiveness and efficiency with which we have used our resources to fulfil our statutory role.

5.3 This chapter looks at the controls that we intend to put into place to make sure that our systems are robust, fair and independent. Our overall approach has five elements:

- MPs personally certify that the claim they are making is legitimate, providing evidence that the claim is allowable within the rules that we have set out;
- Validity of claims is assessed and determined by IPSA on the basis of that evidence, with scope for review of that decision in certain circumstances;
- The claim and its outcome are published, allowing for public scrutiny;
- IPSA's staff carry out more detailed checks on a sample of claims, proportionate to the level of compliance risk identified; and
- IPSA is externally audited by the National Audit Office.

5.4 This chapter sets out more detail on our approach to the first four of these stages; the last is for the National Audit Office.

Submission of claims

5.5 *We intend to automate processes so that all claims are submitted electronically.*

In other words, MPs would submit a claim online, with evidence to support the claims provided separately. Any evidence received in hard copy would be scanned on to our database for subsequent publication. The claim will then be considered by IPSA's staff to ensure that it is permissible according to the rules. Dependent on the outcome of those checks, the MP would either receive a payment or would be notified that the claim had been declined or modified.

5.6 *We intend to ensure that all claims are submitted directly by the relevant MP.* In many cases MPs' claims are currently made by MPs' staff. This is entirely sensible. But responsibility for the claim must remain with the MP. Even if staff input some of the information, every claim must be submitted with the express authority of the MP. As part of that process, MPs would be expected to certify that each item of expenditure was reasonable, and complies with the rules of the scheme.

5.7 There may be occasions when MPs will be required to incur significant expense before being reimbursed. This will be particularly true for newly elected MPs, who need to start up constituency offices and pay deposits on accommodation within a very short space of time. Unless they have significant personal wealth or are supported by their party, it is likely that many MPs will not have access to the level of funding required to meet these costs. MPs should not be at a disadvantage because they do not have sufficient personal funds to meet any cost. Moreover, it is not our intention to

create cash-flow difficulties for MPs while they await reimbursement for payments they have had to make.

5.8 *We therefore intend to allow MPs to apply for interest-free loans, with the use of those loans limited to allowable expenses. MPs will still be expected to submit claims for expenses as they are incurred, and, if we allow the expense, we will reduce the amount to be repaid to us correspondingly. If any of the loan is not subsequently spent on allowable expenses, we would recover the remainder.* So, for example, if an MP takes on a £1,000 loan and then has £800 of expenses claims approved before they stand down, we would not make any further payments to that MP after the initial advance, and we would recover £200 from them on standing down.

5.9 We will publish details of the level of service we plan to provide to MPs. This publication will include our commitments as to how quickly we will process and pay claims, as well as what we will need from them to meet those commitments. We will also provide a monthly statement to MPs summarising the claims that they have made that month. This will assist MPs in monitoring their expenditure.

Q4: Do you agree with our approach to the submission of claims?

Incurring long-term liabilities

5.10 MPs should not enter into long-term arrangements to spend significant quantities of public money without prior approval of those arrangements. Two examples of this might be entering into a contract relating to office accommodation, or taking on a new member of staff. Prior approval should be sought through an application form. We would subsequently publish the application, so that the proposed expenditure was clear to all in the interests of accountability.

5.11 Once such arrangements have been approved (we talk later in the chapter about what happens to rejected claims), the MP will be free to submit claims for reimbursement of expenses incurred, or, in some limited cases, for direct payment.

To use an example, once an MP has established that a contract for rental of an office is allowable, he or she will be able to submit claims each month for payments in line with that contract.

Documentary evidence

5.12 Our starting assumption is that documentary evidence should be supplied to support each expense claim that is made. Following a resolution of the House of Commons on 30 April 2009, the House currently requires receipts as proof of all expenditure except for the current overnight subsistence allowance and claims for car mileage below a threshold. The CSPL also took evidence on this matter. The majority of respondents argued that receipts should be required for every claim for reimbursement.

5.13 KPMG told the CSPL that employees are generally expected to submit original receipts to support claims for expenses in both the public and private sector.⁹ There may be situations where a receipt will not be suitable or sufficient to support a claim. For example, a claim for ad hoc staffing expenditure might require the provision of a contract or timesheet. It is important therefore to be clear on exactly what evidence is needed for each kind of claim, and we will set this out in our guidance material.

5.14 *Our starting assumption is that all claims will need to be evidenced unless there are strong reasons otherwise. We will set out in the final scheme the appropriate types of evidence for each type of claim.*

Parliamentary duties

5.15 One of the difficulties in establishing the validity of claims for expenses or allowances made under the existing scheme has been the task of trying to verify that all claims have been made in the course of parliamentary, as opposed to party-political duties. In practice, there does not seem to be a commonly understood distinction between the two types of activity. Most MPs do not change mindsets between acting in a party capacity and in the exercise

⁹ CSPL's Report, Ev 722

of Churchill's "faithful and disinterested judgement". It is the nature of our political system that MPs should believe that their faithful and disinterested judgement is consistent with the party political positions that they wish to advance.

- 5.16** A practical example of this difficulty can be seen in the challenges the House of Commons has encountered in administering the existing Communications Allowance. Determining whether individual leaflets or posters are purely informative or also party political requires staff to make frequent judgements, which can come down to whether a single word or photograph should have been included.
- 5.17** We do not believe that any simple definition would sufficiently capture the distinction between parliamentary and party political activities. Our approach will instead be to list activities which are inside and outside the scope of the expenses scheme. The criterion that we will use is whether we may be allowing elements of state funding of political parties by a back door. This is an issue we will need to consider more fully in subsequent consultations. As we have made clear, the onus will be on the MP in the first instance to declare and demonstrate the basis on which public funds were used.

Publication of claims

- 5.18** Providing the public with information on expenditure is central to the purpose of IPSA. We are committed to the principle of freedom of information – that information held by a public authority should be made public, unless there is an overriding reason not to do so. That principle is all the more important in the context of claims for expenses, where it is clearly in the public interest to be as transparent as possible on how public money is being spent. We have already set out in Chapter 2 that we see transparency as one of the paramount principles guiding the design of our new approach.
- 5.19** ***We welcome the Government's statement that it will bring forward legislation to place on IPSA the duty to publish claims made and paid, with such details as we***
- consider appropriate. We believe that all claims, whether approved or not, should be published.***
- 5.20** We intend to publish the claims as quickly as possible after they are made. In addition, we intend to make it as easy as possible for the public to gain access to these claims. We believe publishing these claims online would be the most appropriate way to ensure ease of access, although we will explore whether other means of access might be made available in addition for those who do not have readily available access to the internet. We will also look to publish data in useful summary forms.
- 5.21** The precise wording of the proposed legislation will be important, as we will need to retain the ability to protect some personal information. For example, as we are operating a payroll service, we will hold bank details, which may sometimes be included on claim forms or invoices. We also need to take account of the security implications of access to home addresses and regular routes of travel.
- 5.22** Any approach that includes keeping some information private is likely to require some degree of manual amendment to the claims submitted, to ensure that such information is protected. We may, however, sometimes need that information in adjudicating the claim, or we may want to keep it as part of our records. We will therefore reject any evidence which the MP or their staff member has attempted to "redact" before passing to us. Any necessary manual amendments will be made by IPSA staff alone.
- 5.23** We intend to set out our approach more fully in a publication scheme under the Freedom of Information Act. We will be producing such a scheme in conjunction with the Campaign for Freedom of Information, to ensure that our arrangements match up to existing best practice. Our aspiration is to be a benchmark for transparency in a public authority. We will work with the Government to ensure that the proposed new legislation supports us in that aspiration.

Q5: Are you content with our proposed approach to the publication of claims?

Other items for publication – an MP’s annual report?

- 5.24** MPs could be asked to certify at the end of each year that all claims complied with the principles underpinning the expenses scheme established by IPSA. This would be consistent with the recommendations of the CSPL. This statement would be published on our website.
- 5.25** We are considering the form such a statement might take. Options include requiring an MP to publish an annual report, setting out for their constituents how they are spending the public money they receive, or including information relating to each MP in IPSA’s annual report. If the former, the publication of this report would need to be subsidised through funding from IPSA. Part of that report could be a Statement of Internal Control such as a public sector accounting officer has to make, which is a certification that proper practices have been followed to protect public funds.

Q6: Do you support the idea of requiring MPs to produce an annual report of their use of public funds?

Reviews

- 5.26** The Parliamentary Standards Act requires IPSA to review claims which have been refused, if this is requested by an MP. We will set out in our rules of expenses a defined procedure for review, with clear criteria as to possible grounds for review and who will carry out that review. The procedure will not allow the rules or the associated policies to be challenged. The focus will be on the correction of errors.
- 5.27** Given that we will publish the details of claims, it follows that we will publish details of any review of those claims. We will publish requests for review as we receive them, and then publish the decision once it has

been made. We will also publish summary information about the number of requests made, how many were rejected and how many were accepted, in relation to each MP.

Ensuring compliance

- 5.28** In addition to documentary evidence, we will also need to consider other ways of ensuring that claims are valid. In some cases the production of a receipt may be sufficient. But there are also situations where it may be more complicated to achieve the necessary level of assurance. For example, if we were to prohibit public funding of employment of MPs’ family members, we could not determine whether an MP ought to be able to employ a particular individual simply through the provision of receipts or timesheets. In this case, it may be necessary to require a declaration that the appointment of a staff member is compatible with that rule, i.e. that the member of staff is not a family member. Such declarations would routinely be published.
- 5.29** We have a continuing duty to review and improve our processes. A key component of this duty will be the testing of our compliance checks and controls of compliance. We therefore propose that a sample of processed claims will be audited in order to confirm that they were dealt with correctly and, if not, to identify and remedy either the process or the result of the claim. We will also carry out targeted checks where our risk analysis suggests that this is warranted. This might include visits to MPs’ offices.
- 5.30** Effective procedures for whistleblowing also play an essential role in providing assurance that abuse of the system is not taking place. We are already in the process of developing such procedures for our staff, which we will publish in due course. We will adhere to Public Concern at Work’s recognised best practice for such schemes, and be guided also by the approach set out in the

Public Administration Select Committee's recent report *Leaks and Whistleblowing in Whitehall*.¹⁰

The role of the Compliance Officer

5.31 We note the Government's statement that it proposes to amend the Parliamentary Standards Act to provide for a compliance officer to be appointed by IPSA in place of the Commissioner for Parliamentary Investigations contemplated in the current Act (Section 8). We note also the powers that the Government has stated it intends to vest in this person:

*The Government will introduce amendments to the 2009 Act to give the compliance officer the power to impose sanctions, namely a civil penalty, as well as requiring restitution of wrongly paid allowances. Repayments, monetary penalties and costs will also be made recoverable as a civil debt. In addition, the Government will provide a route of appeal from the decisions of the compliance officer to the First Tier Tribunal.*¹¹

5.32 Until the details of the proposed legislation are made known, it is difficult to state how the compliance officer's role might work in practice. It is clear that the officer would play a significant part in ensuring compliance with the scheme and penalising those who transgressed. ***Our preference is that legislation will allow the compliance officer to initiate investigations on his/her own initiative, at IPSA's behest, or on the basis of a complaint from any individual.***

being developed and applied. We also have a statutory responsibility to provide MPs with details of any general information or guidance about taxation published by HMRC that we consider they should be aware of, and any other general information or guidance about taxation that we consider appropriate.

5.34 We also intend to take all necessary measures to ensure that MPs understand the new rules and processes. This is likely to take the form of some kind of induction. We also need to explore further the extent to which a telephone advisory service might be needed.

Advice and guidance

5.33 Our intention is to design rules which are simple in concept and clear in their application. However, no set of rules speaks to every eventuality, and there may well be a need for further guidance underpinning the rules. We intend to produce any such guidance in writing and publish it on the internet. This will allow all MPs to receive a consistent message, and also allow the public to see clearly how the rules are

¹⁰ Public Administration Select Committee, Tenth Report of Session 2008-09, "Leaks and Whistleblowing in Whitehall", HC 83

¹¹ HC Deb, 10 December 2009, col 34WS

6 Working from two locations – accommodation for MPs

Key principles

- 6.1** In its report, the CSPL noted that “accommodation has been the most controversial of all expenses”.¹² The approach taken to providing accommodation for MPs is therefore central to improving public confidence in the new system of expenses.
- 6.2** Of the principles we set out at Chapter 2, those most directly relevant to expenditure on accommodation are:
- *Members of Parliament must not exploit the system for personal financial advantage, nor to confer an undue advantage on a political organisation.*
 - *In matters relating to expenses, MPs should be treated in the same manner as other citizens. If the arrangements depart from those which would normally be expected elsewhere, those departures need to be explicitly justified.*
 - *Arrangements should be flexible enough to take account of the diverse working patterns and demands placed upon individual MPs, and should not deter representation from all sections of society.*
 - *The system must give the public confidence that high standards of honesty and decency will be upheld.*
 - *The scheme should provide value for the taxpayer. Value for money should not necessarily be judged by reference to financial costs alone.*

As noted earlier, we take this to mean that the cheapest option to administer in the short term must be carefully weighed to ensure that it does not carry greater costs in the long term, including costs to the reputation of the whole parliamentary system.

Our approach

- 6.3** Much of the public disquiet about expenses has arisen from the notion that MPs had given themselves a right to own a “second home” at public expense. We have approached the issue by asking a straightforward question: what should MPs receive from the public purse to meet their need for accommodation? The question is simple, but the answer complex. There is clearly a need for a number of particular arrangements to reflect the many ways in which the job is an unusual one.
- 6.4** It is usual for members of the public to live in one place and work in another, commuting on a daily or weekly basis. Sometimes, where those places are a long way apart, employees are put up in accommodation at their employer’s expense. Equally, jobs frequently entail travel; indeed many people might travel considerably more than MPs. But such a lifestyle often has no main place of work, or one at most. What is perhaps the most unusual aspect of an MPs’ role is that most have two main places of work.
- 6.5** Compared to equivalent legislatures internationally, the House of Commons has one of the highest number of days on which the House is in session. Although the House has fewer late night sittings than before 1997, MPs’ hours of work are still not consistent with normal working hours. In particular, the House typically still sits past 10:30pm on a Monday and Tuesday, and there is often an expectation that most MPs should be present up to these times in order to vote. While these hours could be changed, as they have been twice in recent years, we have to prepare an expenses scheme by reference to the role of an MP as it currently exists.

¹² CSPL’s Report, p38

- 6.6** In 2005, MPs reported that they spent an average of 35 working hours per week on constituency business.¹³ Not all of this business necessarily has to be conducted from the constituency, but most MPs choose to spend a considerable proportion of their time in their constituencies. A tradition of Friday or weekend surgeries for constituents has developed. Those MPs who choose to live near Westminster will be expected by their constituents to travel regularly to their constituencies.
- 6.7** Most MPs' constituencies are too far away from Westminster for it to be sensible to commute daily from one to the other. It is not our job to tell MPs in this position whether they should be primarily based in their constituencies or in London. The work done in both locations is important: MPs will, and should, determine their own priorities. Most MPs will probably spend more working hours in London during parliamentary terms, but there are long periods between those terms when most MPs are based in their constituencies.
- 6.8** ***It must be for non-London MPs to determine where their home is. Given that most of them will need accommodation at a second location to do their jobs, we believe it is right that the cost of such accommodation be met from public funds. This does not necessarily mean a "second home": the accommodation at that second location may be long or short term, whichever gives best value to the taxpayer.***

Eligibility for expenses for accommodation

- 6.9** Our starting position on expenditure for accommodation for MPs is that it should be on the premise of reimbursing expenses actually incurred, unless the cost of administering this is shown to be disproportionate to the benefits.
- 6.10** Many MPs clearly represent constituencies which are too far from Westminster for it to be reasonable for them to commute between the two. There are also a small

number whose constituencies are so close to Westminster that further accommodation is unquestionably not needed. The challenge is to draw the line between the two in a fair a way as possible, so that payments are made only to those who need them. Under the old system, the line was drawn to exclude only MPs representing inner London from claiming. Some MPs with property in central London were therefore eligible to public funds in acquiring a further property if representing a constituency in its suburbs, and vice versa.

- 6.11** The CSPL has recommended that the right to accommodation expenses should be removed from all those MPs whose constituencies are within a "reasonable commuting distance" of Westminster.¹⁴ There are a number of options as to how we might determine what constitutes a reasonable commuting distance, none of which are entirely straightforward to administer. These include:

- **Option 1: The MP's constituency is within 20 miles' radius of Westminster.** While this is fairly simple to administer, this option does not take into consideration the time taken to travel from Westminster to the constituency. The effects may be fairly arbitrary. The correlation between distance and travelling time in the Greater London area is not at all direct. There are also administrative questions which would need to be asked such as whether to measure distance to the MP's home, or to some fixed point in the constituency (which might be the nearest point, or a population hub).
- **Option 2: The MP's constituency is within 60 minutes of Westminster by car.** This is more difficult to administer, as average journey times will vary according to the time of day, and will change over time in line with fluctuations in traffic volumes or changes in road layouts. In any case, most people employed in central London do not commute by car, and for environmental reasons we would not wish to establish a scheme based on this premise. Again, we would also need to determine whether to

¹³ Hansard Society, Note of Parliamentary working hours, Review of MPs' expenses and allowances, Background Paper No.4

¹⁴ CSPL's Report, p48

measure time from door to door, or from Westminster to some fixed point in the constituency.

- **Option 3: The MP's constituency is within 60 minutes of Westminster by public transport.** Given that this is how most people commute to central London, this appears to be a more realistic and desirable measure than Option 2. However, average journey times will still vary according to the time of day, and again, will vary over time as outlined in Option 2, and once more we would need to decide whether to measure time from door to door or station to station, or to some fixed point in the constituency.
- **Option 4: The MP's constituency contains a station within London transport zones 1-6.** London Underground, Docklands Light Railway (DLR), London Overground and National Rail services in London are divided into zones. Most services operate in zones 1-6, with Underground, London Overground and National Rail also operating in zones 7-9. Option 4 is a cruder measure and much simpler to administer than options 2 and 3. The zones reflect the ease of commuting from a particular area, and as most services operate as far out as zone 6 up to the end of the parliamentary working day, this appears to be the appropriate cut off point.

6.12 Option 4 is our preferred option as it is broadly fair, easily understood and simple to administer. Implementing this would mean that no MP whose constituency contains a station within zones 1-6 would be eligible for accommodation expenses. There may be some MPs whose constituencies are outside zone 6 but who could still commute relatively quickly, and we understand the argument that they too should be ineligible. But our judgement is that any means of administering that rule would either be too subjective or too complex to administer. We note that MPs are not compelled to claim accommodation expenses just because they are entitled; indeed there are already MPs who commute from outside London and do not claim for accommodation.

Q7: We propose that MPs are eligible to claim for accommodation expenses unless their constituency contains a station within London transport zones 1-6. Do you agree with this approach?

MPs who live at neither location

6.13 Some MPs may choose to live in a location which is not close to either Westminster or their constituency. That is their right, but they will not be supported in doing so from public funds. If such MPs are eligible for accommodation expenses, we would provide funds for accommodation at one location only. Should MPs wish to have accommodation at another location, we would expect them to fund it from their salary.

Grace and favour homes

6.14 *We note and welcome the recent changes made to the Ministerial Code to the effect that Ministers who occupy a grace and favour home in London will not be eligible to claim expenses for accommodation. We will insert provisions into the scheme of expenses to reflect this.*

How should accommodation be funded?

Payment of mortgage interest

6.15 It is one of the CSPL's fundamental principles that Members of Parliament must not exploit the system for personal financial advantage. The evidence received by the CSPL suggested that this has been the feature of the existing system which has contributed most greatly to public anger towards MPs. The CSPL recommended that this is addressed through ending the payment of mortgage interest to MPs.¹⁵ Their report notes that this practice is being brought to an end in the devolved administrations in Scotland and Wales, and that they found no similar arrangements anywhere in the public or private sector.

¹⁵ CSPL's Report, p43

- 6.16** Other citizens who have two places of work are probably more accustomed to their employers providing long-term temporary accommodation instead of a “second home”. Employers do sometimes indirectly subsidise employees’ mortgages – for example, a civil servant relocating from Gateshead to London at her employer’s request might receive from her department the additional cost of housing. This would tend to be based on the difference in cost between the two locations. Typically it would be paid with salary over a period of several years. Some other employers might simplify the issue by simply raising a salary to compensate for the increased housing costs. Crucially, however, this is usually made in respect of the main or only home, where employees are being asked to move from one location to another. We have not encountered any parallels where employees who may already own homes are subsidised to purchase another home while retaining their first.
- 6.17** The CSPL’s Report also suggested that the overall cost of claims for mortgage interest placed greater demands on public resources compared to the claims for the cost of rent.¹⁶ This is not universally accepted: Angus Robertson MP told the CSPL that “it is a fact that mortgage interest on flats is a cheaper way of funding property by and large”, and that some MPs had “ludicrously peppercorn mortgage interest payments”.¹⁷ There are differing opinions on the relative financial costs of paying mortgage interest as opposed to other options. The costs will, of course, vary as interest rates change over time, and these variations may not be the same as fluctuations in rental costs.
- 6.18** While important, costs are not the only factor to consider here, as reflected in the CSPL’s principles. Our primary concern, because it is the public’s primary concern, is to ensure that MPs cannot make personal gains through the expenses system. There may be ways to reconcile that principle with continued funding of mortgage interest from the public purse, through, for example, some mechanism for the recovery of capital gains. However, any mechanism that we might design would be complex to administer, with

inevitable contention around the precise amounts to be repaid. We do not believe a system could be designed which would retain public confidence. The provision of public funds for mortgage interest is currently too closely linked with what has gone before and been discredited. **We are devising the new system on the basis that, subject to any transitional arrangements for MPs who are re-elected at the General Election in 2010, there will be no payment by way of expenses from public funds for the cost of mortgage interest to MPs in the next Parliament.**

Short term options – accommodation for newly-elected MPs in 2010

- 6.19** After ruling out the payment of mortgage interest, there remain a number of options for how we meet the costs of accommodation. We commissioned a feasibility study to examine different ways of funding MPs’ accommodation in the next Parliament and beyond.
- 6.20** In particular, we have given detailed consideration to the feasibility of the CSPL’s recommendation of putting into operation a scheme along the model of the Ministry of Defence (MoD) Substitute Service Single Accommodation (SSSA) Scheme for service personnel. Under this model, members of HM forces are entitled, under certain conditions, to apply for rented accommodation procured for the MOD by a nominated agent. The specification and prices of approved accommodation are defined and vary according to rank. The accommodation provided is furnished and equipped to a minimum standard.
- 6.21** For practical reasons, it simply does not make sense for us to pursue a scheme on the MOD’s model for implementation by the time of the next general election. Rules relating to procurement in the public sector require contracts to be advertised for long enough to foster effective competition. Even allowing for the accelerated procedures that have recently been introduced by the Office of Government Commerce, we could not tender until our consultation was completed, and therefore could not have arrangements in place quickly enough. We

¹⁶ CSPL’s Report, p43

¹⁷ CSPL Hearing 23 June 2009, para 548

are not aware of any existing framework agreements¹⁸ to procure a contract similar to the MOD's SSSA contract (which might allow us to act more quickly), and the Ministry of Defence has advised us that IPSA could not simply 'piggy-back' onto their existing SSSA contract, as this is limited to service personnel and cannot be used for other purposes.

- 6.22** While this consultation is being carried out at speed, there will still not be enough time to consult on any long-term solution, analyse responses and then complete a tender in time for the forthcoming election, even if it takes place at the latest possible date of 3rd June. Having ruled out payments for mortgage interest for new MPs, we believe that the only viable option in the timeframe given is to provide newly elected MPs in the new Parliament with financial support to meet the expense of renting accommodation on the open market, until a more permanent solution is found. Therefore, **at the beginning of the next Parliament, we intend to allow new MPs to claim (up to a limit) for reimbursement of the costs of renting accommodation on the open market, or of hotel stays. Loans would be available to meet the cost of initial deposits.**

Longer term options

- 6.23** As set out earlier, we have commissioned a study to make a detailed assessment of operating a scheme along the model of the MoD SSSA scheme. The CSPL set out the merits of such an approach, which we can summarise as:
- no money would pass through the hands of an MP, thus limiting the scope for abuse;
 - potential cost savings to the taxpayer through economies of scale;
 - flexibility for MPs to identify properties that meet their particular needs; and
 - MPs spared the worry of finding and maintaining property for themselves.¹⁹

- 6.24** We have also taken the opportunity to examine whether there might be other solutions which also achieve the same objectives. These might include IPSA buying property itself, or contracting with a not-for-profit provider rather than a commercial agency. We intend to measure these options against the remaining options of allowing MPs to secure rental accommodation on the open market or to stay in hotels.

- 6.25** As this consultation is concerned with delivering an expenses scheme that can be put into operation for May 2010, we have not reached any views on the possible shape of our long-term solution, except insofar as to note that options such as buying property directly or converting existing government buildings into bespoke accommodation might prove more cost-effective than the MOD's model. We will continue to explore this matter further. **Once we have identified a preferred long-term option, we hope to be able to pilot it in the next Parliament on those MPs elected at by-elections.**

Q8: Which of the following is most important in a long-term system for accommodating MPs:

- **MPs having responsibility for their own actions;**
- **Cost to the taxpayer;**
- **No money passing through MPs' hands;**
- **Flexibility for MPs to identify properties that meet their particular needs?**

Transitional arrangements

- 6.26** As set out in para 6.18, we are devising the new system on the basis that there will be no payment for the cost of mortgage interest for newly elected MPs in the next Parliament. However, **it is unreasonable to end the payment of mortgage interest immediately for those MPs who are now locked into arrangements for their current property.** A reasonable period of notice is required to allow those MPs to ensure that they have other ways of meeting the required payments, or, if necessary, can sell their properties.

¹⁸ A framework agreement is an agreement with suppliers which set out the terms and conditions for subsequent procurements for the purchase of particular goods, works or services over a period of time. It therefore allows for faster procurement.

¹⁹ CSPL's Report, p44

6.27 This question has recently been considered both in the National Assembly for Wales and the Scottish Parliament. In both cases, transitional arrangements for ending the payment of mortgage interest will run until the end of the current legislative term. It is administratively simplest to time the end of any transitional arrangements to coincide with an election, as some MPs who might need to move home would in any case be standing down or defeated.

6.28 However, the legislatures in Edinburgh and Cardiff both have fixed terms whereas Westminster does not. Therefore, it would not be reasonable directly to mirror the arrangements made in Scotland and Wales. There is also an argument that the tenure of an MP is inherently uncertain, such that MPs should not have locked themselves into long term mortgage arrangements dependent on public funding. We note that the general election after next could be as distant as June 2015.

Q9: When should the payment of mortgage interest to existing MPs be ended?

Designation of main and second homes

6.29 We note Recommendation 13 in the CSPL's Report, which suggests that any gains made by the MP through the sale of a property purchased with public funds should be surrendered to the Exchequer.²⁰ We understand this point, and have placed at the centre of our proposals the principle that MPs should not be able to gain personally from publicly funded expenses. In particular, the opportunity that existed in the current regime, known for short as "flipping", has attracted much criticism and public anger. MPs have been able to decide which property counted as their second home and then change it to a different home, until recently more or less at will, in order to gain personal financial advantage when selling the designated principal home, even if that home had been designated previously as the second home.

6.30 *As we will not be providing any subsidy for mortgage interest except on a transitional basis, we will not be allowing MPs to have a "second home" at taxpayers' expense, and we will therefore not be giving them the opportunity to use public money to help to increase the value of their homes.*

6.31 The current rules on capital gains tax governing the nomination of a main home for purposes of private residence relief are no different for MPs than for any other citizen with two or more homes. However, specific practices appear to have developed for MPs' designation of a second home for the purposes of the expenses scheme, taking into account factors such as where the MP spends the most time, where members of their immediate family live and where their children go to school. In some instances there was a discrepancy between the home nominated by an MP for tax purposes and the designated second home for expenses purposes – a problem we will eliminate by abolishing the provision of mortgage interest.

6.32 For the purposes of CGT, all citizens have a right to nominate any of their residences as their main home (and so qualify for private residence relief on some or all of the gain they make on that home). Any citizen can also change the nomination (including a switch back to the original main home). But, unlike MPs, they have not been subsidised in buying one of their homes by the taxpayer. Her Majesty's Revenue and Customs may investigate any taxpayer who they suspect may be seeking to evade tax by nominating a property as the main home on a spurious basis.

6.33 We do not believe that MPs should be treated any differently from any other taxpayer as regards capital gains tax. In other words, they should continue to be entitled to nominate their main home for PRR purposes as other taxpayers are. It is a matter for MPs to ensure that they comply with the law in this area, and we will not be seeking to provide guidance or rules as to how MPs should do this, apart from directing them to existing guidance from HMRC. This approach is consistent with how the public must ensure that their own tax affairs are appropriate.

²⁰ CSPL's Report, p50

6.34 *For the purposes of the expenses scheme, we believe that MPs should simply apply to be considered for accommodation expenses at the beginning of each Parliament, for the life of that Parliament, to determine whether they are entitled to financial support for accommodation either in London or in their constituency. Where they wish those arrangements to change during the course of a Parliament, MPs should be required to justify these changes in an application to IPSA, and we will set out strict criteria for doing so.*

6.35 It is not for us to determine arrangements to address what has happened in the past. Any rules that we may design for the recovery of gains made during a transitional period would be open to the challenge that we did not have the authority to apply rules based on MPs' past behaviour under the House of Commons' scheme. ***We consider it is for Parliament to decide whether to take steps to recover gains arising from the payment of mortgage interest from public funds. This might be achieved by resolution of the House of Commons or by legislation.***

6.36 So far in this chapter we have determined that we will meet expenses incurred by new MPs in renting accommodation, and that for current MPs who are returned we will allow existing arrangements involving mortgage interest to continue for up to five years, or else offer funding for rental expenses. However, there are also a number of subsidiary administrative questions to answer. In the remainder of this chapter, we set out our approach to:

- Setting ceilings on expenditure;
- Adjusting those ceilings for MPs who share accommodation or have particular needs;
- Staying in a hotel in London, and;
- Payment of bills.

Limits on expenditure

6.37 It is clear that there needs to be a cap on the amount that MPs are able to claim in a month on accommodation expenses. We will publish that cap in the expenses scheme. We will then need to be sensitive to dramatic

changes in the property market over time, and so would expect to revisit this limit on a regular basis.

6.38 The current limit of £15,000 per annum corresponds with costs of one-bedroom accommodation in parts of London close to Westminster. However, as already discussed, many MPs maintain their own London accommodation and claim expenses instead for accommodation in or around their constituencies. We will continue to allow this, but we note that in most parts of the UK rental prices are considerably lower than in London. A national ceiling based on prices in central London would allow MPs to rent some inappropriately luxurious accommodation in many other parts of the country. It is not right in principle that the taxpayer should subsidise extravagance.

6.39 One option would be to set maximum expenses for particular constituencies. These would in practice be banded into various categories of constituency, ranging from most to least expensive. A system along these lines is administered in Hungary, but the Hungarian property market is not as complex as ours. The principal difficulty with this approach is that there will be a continual need to re-appraise appropriate ceilings in each constituency. The alternative option would be to have a national limit, but some guidance on what constitutes a reasonable standard of accommodation; MPs would then be expected to certify that their accommodation was not above that standard. This might be difficult to administer in practice.

Unusual circumstances

6.40 Next, there is the question of how to address the few sizeable constituencies where it is difficult to identify one base from which is straightforward to commute to each part of the constituency. An example of this would be the constituency of Na h-Eileanan Siar, which before 2005 was referred to as the Western Isles. There is a case that constituencies such as this which include a large number of islands require the MPs to have accommodation in two different parts of the constituency. However, we do not believe that the solution from our point of view is to subsidise the rental of

accommodation at multiple locations within a constituency. MPs in this position would be eligible to claim for hotel expenses if their work justifiably took them too far from home to be reasonably expected to return there within the day.

6.41 There is also a question of how to administer any ceiling on expenditure where two or more MPs share accommodation. This is not an uncommon arrangement, whether because two MPs are married or partners, or simply because they have agreed to share accommodation. In the latter circumstances in particular, a two bedroom flat may well be cheaper than renting two separate flats, and therefore some economies of scale can be achieved.

6.42 MPs intending to share accommodation with another MP as spouses or partners will be required to register their intention of sharing accommodation when they apply for financial support for accommodation at a second location. Once notified of this arrangement, IPSA would calculate the appropriate rental costs that can be claimed by the MPs. A similar approach would apply to any additional costs incurred by MPs sharing accommodation, such as utility bills. Were these arrangements to change during the course of the Parliament, we would require the MPs to inform IPSA immediately.

6.43 We believe that in the case of shared accommodation, there should be an apportionment of the costs of entitlement for rental expenses. The CSPL recommends that this is up to a limit of an individual cap on rental expenses, plus one third.²¹ We propose to implement this recommendation where two MPs share accommodation as spouses or partners, as one-bedroom accommodation is still feasible. Where two MPs share on any other basis, we would not alter the cap on each MP's individual expenditure.

MPs with responsibilities for caring for others

6.44 The CSPL's Report also recommends that whatever system is adopted, it should be flexible enough to make adjustments

to meet the requirements of MPs with particular needs.²² The examples given are costs arising from an MP's disability (such as making accommodation wheelchair-accessible) or from responsibilities for caring for family members. These are very different situations which should be addressed separately. We will maintain specific arrangements for supporting MPs with disabilities, which we discuss in Chapter 12.

6.45 In a representative assembly, it is hugely important that the membership reflects the diverse views and experiences of those who are represented. Our arrangements must not unduly deter representatives from any group in society. It is not our remit to use the expenses system actively to pursue greater diversity of membership within the House of Commons, but we would not be doing our duty if we were unintentionally to contribute to a less diverse House. In particular, as already noted, the UK can never return to a position where to become an MP it is necessary to hold significant personal wealth.

6.46 The principal mechanism for ensuring that anyone can afford to be an MP is by providing a sufficient salary, which is not currently something for which IPSA has responsibility. However, there is a particular challenge in determining how to give necessary support to parents or others with responsibilities for caring for family members. It is important that people with such responsibilities are still able to work as MPs without bearing an unacceptable financial burden. Nobody should be deterred from becoming an MP because it could not be combined with the duties of a parent or a carer.

6.47 We believe this is sufficiently important to justify the use of public funds to allow MPs with responsibilities for caring for others, to allow them to rent accommodation which is more spacious than would be necessary if they lived alone. ***We propose to allow MPs with responsibilities for caring for others to apply for higher levels of accommodation expenses so that they can fulfil those responsibilities, without being out of pocket or prevented from becoming an MP.***

²¹ CSPL's Report, p52

²² CSPL's Report, p49

Q10: Do you agree with our proposed approach to accommodation expenses for MPs with caring responsibilities?

Running costs for administration

6.48 As long as we are providing funds to cover the expenses of renting accommodation, it is consistent also to cover expenses incurred in meeting the running costs of that accommodation. As the onus is on MPs to take responsibility for establishing that claims are appropriately incurred, we will ask MPs to submit claims for reimbursement of payments actually made, rather than IPSA paying the supplier directly.

6.49 We also need to ensure that there is no perception of a conflict of interest in the use of public resources. For those MPs who continue to receive payments for mortgage interest in the next parliament, we will ensure that MPs cannot claim for any items which will enhance the capital value of their property. Whether or not an MP owns their property, however, it is important to ensure that the expenses system only allows claims which are necessarily incurred. We will do this by listing what types of claims we consider to be necessarily incurred in the maintenance of accommodation.

6.50 We propose that claims for the following costs should be eligible for reimbursement:

- Council tax
- Water
- Electricity
- Gas or other fuel
- Ground rent
- Contents insurance
- Service charges
- Approved security measures

6.51 The following would therefore not be claimable:

- Cleaning
- Gardening
- Furniture purchases or maintenance

Q11: Do you agree with our proposed list of running costs for accommodation which might be met through public funds?

Hotel costs

6.52 We agree with the CSPL that where MPs spend relatively few nights each year either in London or in their constituency, they should not be entitled to claim expenses for renting accommodation there. We will enforce this by allowing rental expenses rather than hotel costs to be paid only when MPs certify that they expect to spend a specified minimum number of nights in that accommodation.

6.53 We propose to set a ceiling per night for hotel costs, which will allow for a satisfactory standard of accommodation in a location reasonably convenient for Westminster, often including breakfast. MPs who are already given financial support towards accommodation in London would not be entitled to claim for additional hotel costs for staying overnight in London, nor would those MPs whose constituencies are within a reasonable commuting distance of Westminster.

7 Travel and subsistence

Key principles

- 7.1** Of the principles we set out at Chapter 2, those most directly relevant to expenditure on travel and subsistence are:
- The presumption should be that in matters relating to expenses, MPs should be treated in the same manner as other citizens. If the arrangements depart from those which would normally be expected elsewhere, those departures need to be explicitly justified.
 - The scheme should provide value for the taxpayer. Value for money should not necessarily be judged by reference to financial costs alone.
 - The system should be subject to independent audit and assurance.

Our approach – travel expenditure

- 7.2** Many people incur travel expenses in performing their jobs. The position of MPs is by no means unique. However, what is unusual is the extent of the obligations placed on MPs to travel between their constituency and Westminster, and elsewhere in the UK and occasionally overseas, whilst on parliamentary business. It would clearly be unfair to expect MPs to meet these costs themselves.
- 7.3** As set out in chapter 4, we believe as a matter of principle that it is preferable that MPs should receive expenses for costs actually and reasonably incurred, rather than a flat rate allowance, unless the cost of administering such a system is shown to be disproportionate to the benefits. **We propose to provide funds for travel expenses through two main mechanisms:**

- Continued provision of a travelcard for journeys by public transport;
- Reimbursement of costs incurred when travelling by private transport, such as by car or motorcycle.

Evidence

- 7.4** The CSPL has recommended that travel expenses should only be claimed for journeys where the primary purpose and predominant activity are the fulfilment of parliamentary duties.²³ Historically, MPs have not been required to provide much evidence to demonstrate this; for example, until April 2009, MPs were not required to provide supporting evidence alongside mileage claims unless those claims were for over 350 miles in a month.
- 7.5** Compared with other categories of expense, expenditure on travel by MPs is relatively low: in 2008-09 the total spent was around £6 million, compared to £11 million each on residential accommodation and office administration, and £60 million on staffing. Most claims are likely to be low and therefore the potential to gain from non-compliance is limited. The evidence of non-compliance is also limited, we reproduce the CSPL's observations here in full:

The Committee has heard anecdotal evidence that, in the past, travel was one of the areas abused by MPs for their personal financial advantage – for example, through several MPs claiming separately for the cost of a journey while sharing a car. We have not received any evidence suggesting current widespread abuse, but scope for it clearly exists and the quality of the audit arrangements up to now has been insufficient to provide much assurance.²⁴

²³ CSPL's Report, p75

²⁴ CSPL's Report, p73

7.6 It is reasonable to expect MPs to be able to demonstrate that any expense incurred from public funds is justified. However, given the limited scope for gain and absence of evidence suggesting widespread abuse, we see little justification for taxpayers incurring significant costs in a system of assurance for this type of expenditure, unless it is necessary in achieving public confidence.

Mileage claims

7.7 There are a number of ways in which we could ask MPs to document the justification for their claims. We judge that the options below would be progressively more expensive to administer:

Option 1: We could ask MPs to certify when claiming for travel expenses that the primary purpose of each item of expenditure was the fulfilment of parliamentary duties, and that it complied with the appropriate principles and rules. This certification would be published on our website along with the total amount claimed. MPs would be expected to maintain a record of journeys made which could be made available if we (or the National Audit Office) had any queries about particular expenses.

Option 2: We could ask that all claims for expenses be accompanied by details of each individual journey. MPs would need to list the date of each journey, its start and end, the distance covered and the reason for it.

Option 3: We could go further and ask for evidence that the MP made the journey for appropriate purposes – for example by requiring someone independent of the MP to verify this.

7.8 None of these options entirely avoids the potential for abuse. Many corporate expenses systems require certification of all expenses by someone other than the claimant, but this is usually the claimant's line manager or someone else with responsibility for their business unit. MPs have nobody who can play that counter-signatory role. If we were to follow Option 3, we would still be reliant on the signature of a third party who was unknown to us, and who had been selected by the MP.

7.9 Certification of the purpose of a journey is important for audit purposes, and to support us in any checks that we carry out, whether random or targeted. It also puts the onus onto MPs to think about whether their claim is genuinely necessary. It is also essential that evidence is retained by someone, whether the MP or IPSA, so that any individual payments can be retrospectively examined. Option 1 provides for this, but without details of individual journeys being provided to the public. We might be able to combine the options by requiring more evidence for journeys which cost more than a specified amount.

Q12: Which of the options that we set out do you favour in providing assurance about claims for travel expenses?

Claims on the travelcard

7.10 Where MPs travel by public transport, they are currently provided with a “travelcard” to use in booking those journeys. Despite the name, in practice this operates more like a credit card, allowing MPs to reserve seats without accruing immediate costs to themselves. MPs receive a monthly summary of their expenditure which is then provided by them to the House of Commons with information on the individual journeys undertaken. The House's administration then assesses whether each journey is allowable, and pays for allowable journeys directly. The cost of any remaining journeys must be met by the MP.

7.11 Although we have not yet entered into a contract with a specific provider, we are considering arrangements to provide a service that is similar to the current travelcard. Although IPSA would act as a conduit for payments, we plan to operate the travelcard on the basis that we only pay for those claims that we consider valid. All other claims will be logged as a debt to the MP, and we will recover the cost from the MP's other allowable payments if necessary.

7.12 Using a travelcard system means that it is much less onerous for MPs to provide details of each journey by public transport than it is to provide details of each car or motorcycle journey. If we do provide a

travelcard to MPs, we will continue to expect details of all journeys to be provided to us if MPs wish for those journeys to be funded by us. We would also carry out sample checks to ensure that journeys were being reported accurately. Where there are reasons to believe that the travelcard is being misused, the amounts spent would be recoverable from the MP's salary and could lead to the travelcard being withdrawn.

Different means of transport – particular issues

Journeys by public transport

7.16 The key question relating to journeys by public transport is what rules we should set regarding the allowable class of travel. We believe that travel arrangements for MPs should, where possible, be the same as for their constituents. Arrangements should also provide value for money. While it is not uncommon for senior employees in the public and private sector to travel first class, clearly the majority of work-related travel by public transport within the UK is at standard class.

7.17 We believe that MPs should normally be expected to claim for standard class for rail travel, and that they should only be entitled to claim for expenses for first class travel in exceptional circumstances. We have examined the expenses rules of other organisations, primarily those spending public money, and have identified as a guide the rules recently adopted by the Cabinet Office for its staff. The Cabinet Office has set out the following rules which we are minded to apply to MPs:

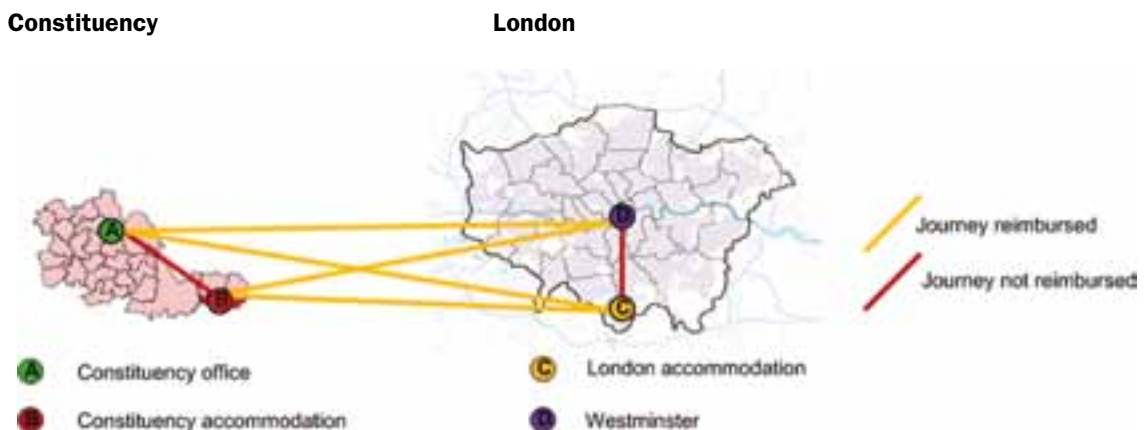
Eligible journeys

7.13 We will implement the CSPL's recommendation that MPs should meet the costs of their daily commute to work whether it is to Westminster or their constituency office.²⁵ We also, like the CSPL, see no reason to subsidise travel to or from a home which is neither in nor close to the MP's constituency.²⁶ No public funds will be made available for either of these journeys.

7.14 This means that **public funds will be available for the following journeys, if the primary purpose of the journey is the fulfilment of parliamentary duties:**

- routine travel between Westminster or the MP's London accommodation and their constituency accommodation or office;
- travel within their constituency; and
- ad hoc journeys within the UK.

7.15 The figure below illustrates the journeys that would be reimbursed under the new system.



25 CSPL's Report, p74
26 As above

You may only consider first class travel if:

- your journey is longer than 2.5 hours.
 - The train journey must be over 2.5 hours, not including any time spent waiting for, or changing, trains or getting to the train station where the main part of your journey begins.
 - It does not include any tube or bus or foot journeys to get to the train station.
 - If your journey is longer than 2.5 hours only because you are travelling to or from home rather than from the office, you are not entitled to travel first class.
 - If you are travelling from home and the journey is shorter than 2.5 hours, but travelling from the office would have taken over 2.5 hours, you are not entitled to first class travel.

or

- the overall cost of first class travel is less than the overall cheapest ticket for standard class.

You may only book an open ticket if you have no way of knowing what time your meeting will finish. In this case, you should still book a restricted (set time) ticket for your outward journey.

7.18 Claims for air travel within the UK would be for economy class only. Once again, we provide the Cabinet Office rules as a reference:

You may consider booking premium economy or business class or equivalent tickets if:

- the journey time is longer than four hours
- the journey involves overnight travel, or
- there are no economy seats available and you cannot travel on an alternative day or use a different mode of transport.

7.19 We believe these rules are reasonable and enforceable, and will provide value for money to the taxpayer. We therefore propose to use them as the basis for our rules on allowable journeys by public transport.

Q13: Do you agree with our approach to travel by public transport, including ordinarily travelling standard class?

Journeys by private vehicle

7.20 *Travel expenses for journeys by car, motorcycle or bicycle will be reimbursed in accordance with the standard rates approved by Parliament and administered by HM Revenue and Customs, as revised from time to time.* Although primarily designed to reimburse petrol costs or similar, the mileage rate also covers the costs of running a vehicle such as insurance repairs, maintenance and depreciation. Table 2 illustrates the current rates:

Motor mileage rate	To cover business travel by private motor car	40p per mile for the first 10,000 miles 25 per per mile thereafter
Motor Cycle mileage	To cover business travel by private motor cycle	24p per mile
Bicycle mileage	To cover business travel by private cycle	20p per mile

7.21 There will be occasions when some MPs share a vehicle. In these circumstances, only one claim should be made per journey, regardless of how many MPs were sharing the vehicle.

Incidental travel costs: parking, tolls, taxis and car hire

7.22 Car parking costs will be reimbursed if MPs can demonstrate when submitting claims that travel by car was still the most economical means of travel even including those costs. For instance, MPs travelling by aeroplane should consider whether the cost of leaving a car at the airport for several days compares favourably with the cost of using public transport or a taxi to and from the airport.

7.23 Toll charges for roads will be reimbursed if they are incurred as an integral part of a journey. London congestion charges would not usually be recoverable as almost any

journey within the congestion charge zone could be made more efficiently by public transport.

- 7.24** MPs will also be entitled to claim for the costs of using a taxi or hiring a car. The safeguard against overuse of these provisions is that all claims will be subject to certification that the use was justified and the publication of claims including receipts. This means that there will be consequences for MPs who attempt to claim in circumstances where they ought not to. We will set out criteria for when it is appropriate to use taxis or hire cars in our expenses scheme.
- 7.25** As with any other means of transport, it will not be possible to fund taxis, hire cars, tolls or parking if they are being used for the MP's daily commute. This includes parking at a constituency office, although we recognise that for some MPs a car parking space will accompany their office space. In such circumstances we would not expect MPs to submit separate claims as these costs would have been met elsewhere in providing for office rent.

Overseas travel

- 7.26** We believe that MPs should be able to claim for travel costs when travelling to European institutions as part of their parliamentary duties. However, this should be subject to certain limits. MPs are currently entitled to up to three return visits a year to the national Parliaments of Council of Europe member states, EU institutions and agencies. We see no reason to change this arrangement at the present time, although this will be subject to review. MPs would be required to seek the authorisation for the journey from IPSA's staff before proceeding with travel arrangements to Europe.

Travel by MPs' family members

- 7.27** We are aware of very few examples where travel within the UK by members of an employee's family is funded at the expense of the employer. However, we have noted in the last chapter that MPs are in an exceptional position, because they travel

so often between two places of work. The CSPL rightly notes that "allowing for limited expenditure in this area would make the role more attractive and accessible to people with families"²⁷.

- 7.28** We have proposed in the last chapter to provide higher levels of accommodation expenses to MPs with responsibilities for caring for others. We have then consulted on this proposal. The expenses would be provided to allow those MPs to accommodate others with them in two locations. It follows from that proposal that we should also provide funding for the same people to travel between the two locations. This funding would not necessarily extend to the family members of MPs who do not have responsibilities for caring for others.

Subsistence arrangements

- 7.29** MPs are currently entitled to claim £25 a night for the cost of food and drink whenever they are away from their designated "main home". No receipts are required to claim the subsistence payments. We see no reason why someone staying at either of their regular places of work should be compensated for the cost of a meal. For most, these costs would normally be met through their salary. Therefore, ***we propose to limit subsistence payments to occasions when MPs have travelled on parliamentary business away from either of their regular places of work.*** For this reason, we will treat subsistence expenses and travel expenses together, as appears to be common practice elsewhere. This will include the cost of overnight accommodation away from the MP's normal places of work.
- 7.30** Like most public sector employers, including IPSA itself, we will set limits on spending on overnight accommodation and on subsistence expenditure while travelling. There will be limits for individual claims, which we will set by comparison with other employers in the public sector. However, this will be a maximum rather than a flat rate allowance. ***Subsistence payments will be made retrospectively as reimbursement of costs incurred, and receipts will be***

²⁷ CSPL's Report, p76

required. The exact amount paid out will therefore be based on actual expenses incurred. Different rates may be needed for overseas travel.

- 7.31** We do not believe there should necessarily be a limit on the number of subsistence claims for overnight stays in the UK. All subsistence claims should relate to the cost of a meal and non-alcoholic drink.

8 Staff for MPs

Key principles

8.1 We believe the following principles taken from the CSPL's Report are particularly relevant to the design of arrangements for expenditure on staffing:

- The system should be
 - a) open and transparent; and
 - b) subject to independent audit and assurance.
- The scheme should provide value for the taxpayer. Value for money should not necessarily be judged by reference to financial costs alone.
- Members of Parliament have the right to be reimbursed for unavoidable costs where they are incurred wholly, exclusively, and necessarily in the performance of their parliamentary duties, but not otherwise.
- The presumption should be that in matters relating to expenses, MPs should be treated in the same manner as other citizens. If the arrangements depart from those which would normally be expected elsewhere, those departures need to be explicitly justified.
- The system should prohibit MPs from entering into arrangements which might appear to create a conflict of interests in the use of public resources.

Our approach

8.2 The work undertaken by MPs' staff typically includes:

- parliamentary research;
- constituency casework;
- diary management and making travel arrangements;

- dealing with press and constituents' enquiries;
- speech writing;
- liaising with third parties; and
- organising/attending meetings.

8.3 Total expenditure by MPs on staff in 2008-09 was just under £60million. Individual MPs claimed between £34,000 and £115,000 in that time. The average was £92,300. Overall, this represents the largest element of expenditure by MPs, and therefore represents a sizeable proportion of the total cost of the whole system. This level of expenditure gives some perspective to how much has been spent by MPs on expenses.

8.4 MPs should not receive a flat rate allowance for staff. As we set out in Chapter 4, allowances ordinarily are payments made without conditions on how they are spent. In the case of expenditure on staff, the receipt of public funds needs to be conditional on compliance with various safeguards. However, we believe it is unhelpful to treat the salaries of staff members in the same way as other funding received by MPs, as they should not be considered as part of an MP's personal expenses. **We believe therefore that funds for staffing should be reported separately from funds for expenses.**

8.5 IPSA will provide each MP with funds for staff, on condition that MPs demonstrate that they are complying with employment law and are acting in accordance with good practice. As set out in chapter 5, we will also require MPs to obtain *prior authorisation* before they enter into a contract with a new staff member. The funds available will cover staff's salaries and employers' contributions to National Insurance and pension schemes.

Who is the employer of MPs' staff?

- 8.6** The question of who is the appropriate employer of MPs' staff is one that has attracted attention recently, not least in the House of Commons Commission's report entitled "Employment of Members' staff by the House"²⁸. The conclusion reached was that existing arrangements, with the MP as the employer, should be retained, but improved. This departs from an earlier vote of the House of Commons.²⁹ We do not yet know whether the House will change its position. We note, however, that the CSPL supported the Commission's suggestion, and that the three main political parties have indicated their intention to implement the CSPL's recommendations.
- 8.7** We note that there is also a practice for political parties to pool staffing allowances, in order to create a shared resource of staff. Although we will not be continuing to provide allowances, the practice of pooling resources is not something that we would wish to prevent by any proposed changes to the expenses scheme.

Employment practices

- 8.8** The employer – whether MPs or the House of Commons – will have responsibilities both in law and in practice. These include issuing staff with contracts, setting terms and conditions, providing necessary training, and ensuring that pension and National Insurance contributions are paid in full. There are also a wide range of other duties, including the avoidance of discrimination, the Working Time Directive and the National Minimum Wage.
- 8.9** We note the CSPL's recommendation that the House of Commons' authorities should issue binding guidance, accompanied by a code of practice, setting out the processes to be followed by MPs when recruiting and employing staff (including those working in constituencies) and on other matters relating to good employment practice, including disciplinary and grievance procedures. We also note here the House

of Commons Commission's recently expressed view that it should be "a condition of Staffing Expenditure that Members report in respect of new staff that certain standard recruitment procedures have been followed".³⁰ If the House of Commons were to be confirmed as the employer of MPs' staff, it is well placed to provide the necessary guidance to MPs as it is already a significant employer of staff in its own right.

- 8.10** Currently, there is guidance as regards to some roles (e.g. Junior researcher/Office Manager/Caseworker etc.), but it does not appear to be routinely used.³¹ For example, many MPs employ interns and reimburse their travel expenses, while some also get a small weekly sum. This is not in accord with the House's guidance, which provides that interns are expected to be at work at specific times or to complete specific work³². Interns are employees, and relevant employment legislation will apply, such as the National Minimum Wage.
- 8.11** The Parliamentary Standards Act allows IPSA to make funds available for the payment of staff only on specified conditions. We do not question that it should remain an MP's responsibility to decide the staffing levels and structure in their office, but we believe that there need to be clear conditions on governing the circumstances in which MPs may enter into contracts as employers, should they be deemed employers. We propose that the expenditure for staff should only be paid to MPs who agree to adhere to commonly accepted good employment practice in the public sector.
- 8.12** We note the existence of industry standards such as the guidance issued by the Advisory, Conciliation and Arbitration Service (ACAS), and believe that MPs should meet such standards if they are to receive public money for the employment of staff. As employers, MPs have a responsibility to determine what is necessary to meet those standards. We would suggest that MPs might commission such guidance from the House of Commons

²⁸ House of Commons Commission, "Employment of Members' staff by the House", HC 1059 26 October 2009.

²⁹ HC Deb, 30 April 2009

³⁰ House of Commons Commission, "Employment of Members' staff by the House", HC 1059 26 October 2009., para 47

³¹ Guidance on pay rates for Members' staff – <http://www.w4mp.org/>

³² House of Commons Commission, "Employment of Members' staff by the House", HC 1059 26 October 2009

administration. It would make sense for this guidance to be developed in consultation with IPSA.

8.13 We note the existence of statements of good employment practice prepared by ACAS and others. It would be appropriate for MPs, acting as employers funded from the public purse, to conform to such practices. If they are to do so, it would help if they had easy access to up-to-date employment guidance and contract documentation. The House of Commons authorities already issue standard contracts for use by MPs. This model might profitably be developed.

8.14 If MPs wish to use public money to fund their staff, they must, of course, comply with employment law. But over time it would also be desirable to make their receipt of funding conditional on adherence to a defined body of best practice guidance on the employment of staff.

Recruitment

8.15 One crucial aspect of good employment practice in the public sector is open and fair competition in recruitment. Recruitment should become more standardised, in line with general ideas of good practice, such as those propounded by the Civil Service Commissioners and the Office of the Commissioner for Public Appointments.

8.16 We agree with the CSPL that there should be clear guidance, accompanied by a code of practice, setting out the processes to be followed by MPs when recruiting staff (including those working in constituencies). Again, ACAS has well established and accepted guidance that could be used for this purpose. MPs should receive appropriate training and support.

Employment of family members

8.17 The most contentious element of the administration of the current staffing allowance has been the employment of MPs' family members at public expense. The CSPL has recommended that this practice should be brought to an end. They saw it creating an unacceptable conflict of interests in the

use of public resources.³³ Clearly any MP has a strong interest in securing an income for family members, as well as their interest in finding someone who can do the job well.

8.18 We understand the public's concern about potential abuse, not least because there has been at least one high profile case demonstrating the vulnerability of the current system. It is essential not just that conflicts of interests are avoided, but also that the public has confidence that public money is being spent fairly. In other words, we need to avoid both the reality and the perception of conflicts of interest.

8.19 However, we have heard very strong views expressed since the publication of the CSPL's Report that, in practice, family members may be the best qualified applicant to work for the MP, and often work, without pay, far beyond the requirements of their contracts. On that basis, we feel it is right to allow an opportunity to hear considered views on whether prohibiting the employment of family members is necessary and proportionate.

8.20 We have identified three broad options:

- a) We could **prohibit the use of public money** in employing family members, as recommended by the CSPL's Report. This option would appear to go furthest in increasing public confidence in the system by eliminating all scope for conflict of interest, but it would come at the cost of ruling out some individuals who may be best qualified and may indeed already be doing the job to a high standard.
- b) The **process of recruiting MPs' staff could be revised**, with safeguards put in place to strengthen independence and transparency. Such safeguards could include limits on the MP's involvement in the recruitment process, or following widely approved recruitment models (such as those recommended by ACAS or OCPA), which include open advertisement for posts. This would allow the employment of family members, should the recruitment process conclude that

³³ CSPL's Report, p57

they are the best candidate. There would inevitably be a cost to administering such a system, which would have to be at least partly met by IPSA, and appointments could take longer to make.

- c) We could **allow some or all of an MP's appointments to be made without a fair, open competition**. In this case, we would expect MPs to justify in writing why there were not conducting an open competition, and would publish that justification. We would also identify all employees recruited in such a manner as being "higher risks" for compliance purposes, and would expect at least annual statements that the work being done justified the cost to the taxpayer. We would also carry out targeted checks where we had any doubts about what was being done.

8.21 This issue has been examined by several other legislatures. Of particular interest is the recent report from Sir Neil McIntosh's examination of the Scottish Parliament's Reimbursement of Members' Expenses Scheme.³⁴ The report concluded that any expenses scheme that permits an elected MSP to draw on public funds to appoint and pay a family member as a direct employee carries an unacceptable risk of undermining public confidence and fuelling public cynicism. As such, it recommended that, with immediate effect, Parliamentary funds should no longer be available or used to meet the costs of any new appointment by an MSP of a member of his/her own family. This recommendation has been accepted by the Scottish Parliamentary Corporate Body and is awaiting approval from the Scottish Parliament.

8.22 We note that the report of the Independent Panel on Financial Support for Assembly Members in Wales also recommended that Assembly Members should not employ their family.³⁵ There appears to be a growing consensus across the United Kingdom that public confidence cannot be restored while

Members of Parliament or their equivalents are able to employ members of their family at taxpayers' expense.

Q14: We propose to prohibit the use of public funds in the employment of family members by MPs. Do you agree with this approach?

Transitional provision

8.23 There may be a period at the beginning of the new Parliament when MPs encounter difficulties because their permanent staff are not yet in post. This is especially the case for newly elected MPs. This difficulty would be exacerbated by any requirement to advertise openly when recruiting, which would extend the time needed to make appointments. **We will look at possible arrangements that we could put in place with recruitment agencies to provide temporary support staff for a time-limited period after a general election. Existing staff would not need to reapply for the position that they currently hold.**

8.24 The CSPL recommended that all family members of MPs currently employed should no longer receive payment from public funds for such employment after a period of five years has expired from the date of our scheme being laid, or from the end of the next Parliament, whichever is the later.³⁶ In other words, those individuals affected would be entitled to receive public funds until at least 2015.

8.25 We agree in principle that if we were to decide to prohibit the use of public funds to employ family members, this should include those who are currently so employed. A 5 year transition period before ending funding for this would prevent it from being punitive, and provide adequate notice. As an MP has no reasonable expectation of employment past one parliamentary term, the contracts which MPs enter with their staff should also have a clause permitting termination of the contract upon reasonable notice.

³⁴ Sir Neil McIntosh CBE, "A Report to the Scottish Parliamentary Corporate Body on the Scheme for Reimbursement of Members' Expenses", dec 2009 ("the mcintosh report"), p7

³⁵ Getting it Right for Wales, July 2009

³⁶ CSPL's Report, p58

8.26 Sir Christopher Kelly himself stated on launching the CSPL's Report that he could not be sure of the legality of proposals to ban MPs from employing family members, at least without further legislation:

We have also been told that there is a defence against it on the basis that this is a proportionate response to a legitimate public objective, in this case the restoration of trust in the integrity of public office holders. I cannot be 100 per cent confident that if this went to trial that would be the outcome but that is the advice we have received.³⁷

8.27 We note that the Leader of the House has since indicated the Government's view that legislation is not needed:

The Independent Parliamentary Standards Authority does not need to have a legal right to bar the employment of family members, because MPs can employ whoever they want to employ, but it can say, "We will not reimburse—pay out of public funds—anybody who is a member of that MP's family." By imposing a condition, it can ensure that it effects and implements that part of Sir Christopher Kelly's report. Additional legislation is not needed, because the legislation that we passed in the House to set up IPSA gives it the power to lay down conditions on how it pays out allowances.³⁸

8.28 We are confident that, if IPSA were to ban the use of public funds for the employment of family members:

- IPSA would not be at risk of any private employment law claims against it;
- MPs would not be at risk of such a claim;
- the proposal does not risk violating Article 8 of the European Convention on Human Rights; and
- the proposal does not constitute unlawful indirect sex discrimination.

8.29 We also note that a five year transitional period would be consistent with the recommendations put forward by Sir Neil

McIntosh in Scotland, which have been accepted by the Scottish Parliament Corporate Body.³⁹

Defining "family member"

8.30 If we should restrict funding for MPs to employ family members, we need to consider how widely any prospective restriction should be drawn. There are already several definitions of 'family member' in circulation. It seems preferable to use an existing definition rather than to attempt to create a bespoke definition for our own purposes. We set out two here, broadly at opposing ends of a spectrum.

8.31 The terms used in EU law are relatively narrow:

- spouses or civil partners;
- direct descendants of the MP or their spouse/civil partner;
- dependent direct relatives in the ascending line (i.e. parents and grandparents of the MP or their spouse/civil partner.)

8.32 The Welsh Assembly's report into AM expenses⁴⁰ when discussing this issue, defined family members more widely and fully, as follows:

- a partner or former partner of a Member;
- a child or grand-child of a Member;
- a parent or grand-parent of a Member;
- a brother or sister of a Member;
- a nephew or niece of a Member;
- an uncle or aunt of a Member; or
- a cousin of a Member.

8.33 *If we were to prohibit the use of public funds in employing family members of MPs, we would propose to use the narrower set of criteria set out in EU law.* The conflict of interest in appointing a sibling or a sibling's child is more remote, and employing a parent's sibling or their child is also a conflict of interest which might be tolerated.

³⁷ Sir Christopher Kelly, press conference, Nov 2009
³⁸ HC Deb, 19 November

³⁹ McIntosh Report, p9
⁴⁰ Getting it Right for Wales, July 2009

8.34 The suggestion that has been made is that MPs will look to minimise the impact of any prohibition, by employing each other's family members under false pretences (i.e. an MP would continue in practice to be supported by their own family member, but paid for from another MP's budget). We would hope to identify such practices through robust audit, but it would be difficult to prevent such practices through an expenses scheme except by preventing any member of any MP's family working for any MP at all. Therefore, instead, we believe that the House of Commons should include principles in its Code of Conduct which will prevent such a practice. The appropriate principles would appear to be those we set out in Chapter 2.

Transparency, audit and assurance

8.35 Before commencing payment of any staff member employed from public funds, we will expect the MP to certify (for publication online) that:

- there is a contract in place which meets any requirements that we set out, including legal requirements;
- the appropriate code on recruitment has been followed;
- guidance on good employment practice will be followed;
- the staff member has been registered on the House's Register of Members' Staff; and, if such a rule is adopted, that
- there is no family relationship as defined in the expenses scheme rules

8.36 In addition, once the member of staff is in place, their work, both in Parliament and in constituencies, may be subject to independent audit by IPSA as part of the new arrangements for assurance. This will also seek to ensure that resources provided out of public funds are being used only for the purpose intended and not, for example, to support party political activities. Any MPs or their staff found to be misusing the system other than inadvertently, will face the appropriate penalties.

9 Working from a constituency

Key principles

- 9.1** In addition to our overarching principles, we believe the following are particularly relevant to the design of arrangements for expenditure related to working from a constituency:
- Members of Parliament have the right to be reimbursed for unavoidable costs where they are incurred wholly, exclusively, and necessarily in the performance of their parliamentary duties, but not otherwise.
 - Arrangements should be flexible enough to take account of the diverse working patterns and demands placed upon individual MPs, and should not unduly deter representation from all sections of society.
 - The system should prohibit MPs from entering into arrangements which might appear to create a conflict of interests in the use of public resources.
 - The system must give the public confidence that generally accepted levels of honesty and decency will be upheld.

Our approach

- 9.2** The current Administration and Office Expenditure allowance covers several discrete areas of expense. We believe that there is merit in treating different forms of expenditure separately, so that it is clear why each type of expense might be paid.
- 9.3** We believe that the administrative costs of serving as an MP break down into two broad categories. There are costs specifically arising from running an office away from Westminster (which we refer to as Constituency Office Rental Expenditure, or CORE), and there are some general administrative costs which might arise from

work in Westminster or in the constituency. This chapter considers the former; the next chapter considers the latter.

- 9.4** Currently, MPs who own offices or perform their constituency work from Westminster derive a benefit from that fact, because they remain entitled to the allowance under the Administrative and Office Expenditure in full (and so can spend much more on other running costs). The Jones and Langland Reviews in Wales and Scotland, where similar arrangements were in place, recommended that elected representatives without separate constituency offices should have their office budgets abated by 75% in each case. The Scottish Parliament subsequently decided to reduce this abatement to 50%.
- 9.5** We propose to take a different approach, and suggest that splitting the two types of expense gives greater clarity to all concerned. By paying rental expenses only to those who intend to rent, we will ensure that those MPs who do not currently claim for office rent or surgery use will no longer have an advantage over those who do claim. This should produce savings to taxpayers where an MP has no need to claim for office rental.
- 9.6** We believe those MPs who rent offices in a constituency, or hire facilities for surgeries, should be eligible for expenses which cover, among other things:
- rental costs or costs of hiring facilities for surgeries within a constituency; and
 - costs associated with rental (water, electricity, gas or other fuel, ground rent, service charges, approved security measures etc)

Rental of office facilities

9.7 It is essential that MPs are provided with sufficient funds to undertake their parliamentary business at Westminster and in their constituency. In most circumstances this necessitates the use of an office in both locations. We understand that there are some MPs who prefer to hire rooms for constituency surgeries and/or meetings, and run offices from home. Other MPs use the facilities of political parties, including their office space and their equipment. More than a third of MPs pay for, or receive free of charge, office space and relevant equipment from local political parties.⁴¹ Unless there are particular reasons to do so, such as those discussed below, we do not wish to discourage any ways of working which might provide better value or service to the taxpayer.

9.8 In the longer term, we are giving thought to a system in which the largest local authority within each constituency would provide an MP's office and basic equipment, with a standard reimbursement from IPSA. This could then (being in a neutral place) be passed on from MP to MP, regardless of party allegiance. However, this is not a system which could be implemented in time for the next general election.

Office rental from political parties

9.9 Where MPs rent office space locally from a political party, they are required to submit an independent valuation to the House of Commons' authorities to demonstrate that they are not paying above the market rate. Research by the Members' Estimate Committee suggests that the cost of renting offices commercially was around £1000 a year greater than renting locally from a political party.⁴²

9.10 There is evidently potential for a conflict of interests, as many MPs inevitably face pressure to secure funds for their parties, and so might be seen to have an interest in diverting public funds to political parties. However, the CSPL recommended that

renting from and sharing equipment with political parties should continue.⁴³ This recommendation is based on the clear practical benefits to MPs from using these current arrangements, and the fact that the CSPL received no evidence of significant abuse.

9.11 *Our scheme will continue to allow MPs to rent from, and share equipment with, political parties. MPs will continue to be required to submit an independent valuation to demonstrate that they are not paying more than the market rate.* As part of its audit and compliance function, IPSA will examine ways to ensure that this approach is not being abused, including regular re-valuation of the property. Should evidence of abuse appear, IPSA will take this into account when reviewing the expenses scheme.

Renting an office from family members

9.12 Renting offices from family members gives rise to many of the same considerations as renting from political parties. The primary risk is the potential conflict of interest created. The potential for MPs to profit from public funds is stronger where the recipient of funds is a family member, as diverting public funds to family members can affect the MP's household income. For that reason, more stringent restrictions may be required.

9.13 The House of Commons had previously specifically prohibited renting from and buying services from family members and made this explicit in its rules adopted in 2006. However, this prohibition was omitted in later versions of the rules. The CSPL's Report takes the view that this prohibition should once more be made explicit in IPSA guidance.⁴⁴ We note that the same principle applies essentially to any financial relationship between MPs and members of their family, including the purchase of equipment. Our preferred definition of "family member" is set out in the previous chapter.

⁴¹ CSPL's Report, p63

⁴² Members Estimate Committee, Review of Members' Allowances, Volume 2, HC578-11, p.22

⁴³ CSPL's Report, p59

⁴⁴ CSPL's Report, p65

MPs who own constituency offices

9.14 In accordance with the principle that MPs should not exploit the system for personal advantage, ***IPSA proposes that MPs who own their own constituency offices will be able to claim for the running costs of the office but not for anything which enhances, or could be seen to enhance, the capital value of that property.*** Further detail on those items on which claims can be made is set out in the next chapter.

Q15: We propose that IPSA should prohibit MPs from renting from, or purchasing goods or services from, members of their families. Do you agree with this approach?

10 Running offices

Key principles

- 10.1** Aside from our overarching principles, we believe that the following principles are particularly relevant to the running costs of MPs' offices:
- Members of Parliament have the right to reimbursed for unavoidable costs where they are incurred wholly, exclusively, and necessarily in the performance of their parliamentary duties, but not otherwise.
 - Arrangements should be flexible enough to take account of the diverse working patterns and demands placed upon individual MPs, and should not unduly deter representation from all sections of society.
 - The system should prohibit MPs from entering into arrangements which could create a conflict of interests in the use of public resources.
 - The system must give the public confidence that generally accepted levels of honesty and decency will be upheld.

Our approach

- 10.2** The majority of MPs run two offices, one on the parliamentary estate in Westminster, and the other in or close to their constituency. Those who do not run a constituency office often run an office from home, or carry out many of the functions of a constituency office from their office in Westminster.
- 10.3** Much of the cost of running an office in Westminster does not need to be met through an expenses scheme because the House of Commons provides a lot of services directly. As well as providing each MP with office accommodation, MPs are provided with accommodation

for some staff, and with a range of goods and services including IT, telephones, stationery and some kinds of insurance. MPs also have free access to information such as the papers and research support provided by the House of Commons Library. Most MPs are therefore likely to spend the majority of their allowable expenses for running an office in their constituencies. However, we see no reason to limit *where* MPs should incur these types of expenses, as long as there are clear rules as to what the funds can be spent on.

- 10.4** ***We propose to meet certain costs of running offices through the capped provision of expenses, which MPs can incur working in Westminster or their constituency as they feel is necessary (subject, of course, to approval of each claim). The budget might cover costs such as stationery, communication, interpreting, sign language and translation services, staff training beyond that provided by the House of Commons, recruitment services, and staff's travel.***

Ownership of office equipment and supplies

- 10.5** The CSPL's Report recommends that all equipment purchased for MPs' offices should be regarded as publicly owned.⁴⁵ It suggests that allowing this equipment to become the property of the MP is inconsistent with the principle of avoiding the possibility of exploitation of the system for personal advantage. We note that when assets transfer to an employee or there is any element of personal use, there is a potential liability for income tax and National Insurance

⁴⁵ CSPL's Report. p66

- 10.6** However, as the CSPL's Report points out, the potential for benefit here is relatively small. Office equipment tends to depreciate very quickly and has limited resale value. There would also be significant practical difficulties if IPSA, or the House, were to acquire and deal with a range of equipment of relatively low value equipment following each election.
- 10.7** One option is that constituency offices and the equipment in them could pass from MP to MP following an election. This is a superficially attractive idea, but it puts a significant onus on IPSA to administer, which could be costly and difficult – especially given the frequent changes in parliamentary constituency boundaries. An alternative might be to calculate the value of equipment purchased and ask MPs to reimburse IPSA once they stand down. This too appears to raise significant administrative and auditing complexities for limited return by way of recovery of funds.
- 10.8** The CSPL based their recommendation on the principle that no personal benefit should be provided through the expenses system. We agree with the principle, but believe that the expenditure on administering the surrender of equipment is likely to be disproportionate to the benefit. We will set out controls designed to prevent possible abuses of the system, such as the purchase of expensive goods by an MP shortly before they stand down.
- 10.9** As mentioned in the previous chapter, in the longer term we are giving thought to a system whereby a local authority would provide an MP's office and basic equipment. This could then (being in a neutral place) be passed on from MP to MP, regardless of party. Such a system would resolve the issue under discussion, as equipment purchased would be the property of the local authority.

Purchase of equipment

- 10.10** MPs are currently able to purchase office supplies or services from any supplier of their choice. Paying directly to suppliers currently causes a significant administrative burden, particularly in

making payments to a wide range of suppliers. However, there is a strong argument that MPs should be able to support businesses in their constituency, and act as ambassadors for others in doing so. We therefore propose that MPs will continue to be able to purchase goods and services from suppliers of their choice, but these will usually be reimbursed by IPSA to the MP on production of a claim and valid receipt, and not directly to the supplier. This is consistent with our preferred approach of reimbursing payments actually made. Where the sum of money involved is significant, the MP would also be able to apply for a loan in advance of making the payment.

Other costs

Costs of accountancy

- 10.11** *We propose that MPs should not be able to claim for costs of accountancy to help to fill out tax returns.* This proposal is in line with the CSPL's Report⁴⁶.

Incidental expenditure

- 10.12** We propose that all claims for incidental expenditure should be accompanied by receipts. This is in line with the CSPL's recommendations.

Staff's travel

- 10.13** *We believe MPs' staff should be entitled to claim for costs of travel for journeys in connection with MPs' parliamentary duties, and that these should come out of the budget for running offices.* Claims for all staff's travel expenses should be justified in writing and supported by receipts. Mileage claims should be documented. When submitting claims, MPs should ensure that the journeys undertaken by their staff are justified.
- 10.14** *We do not believe at this time that it is necessary or desirable to set a cap on the specific number or cost of journeys undertaken by staff. It is more important that MPs are expected to demonstrate value for money, and certify that the*

⁴⁶ CSPL's Report, p66

journey undertaken by their staff was justified and made use of the most economically viable option. As regards the class of travel (standard or first), the same criteria should apply for MPs' staff as for MPs.

Expenditure on communications

10.15 The current Communications Expenditure allowance was designed to help MPs to communicate with their constituents about their work. The Green Book currently allows expenses to be met for

- regular reports, constituency newsletters, questionnaires, surveys and petitions;
- contact cards and distribution costs;
- advertising of surgeries and constituency meetings;
- websites; and
- some capital purchases such as equipment for communication purposes.

10.16 In principle, providing public funding for much of the expenditure on this list seems justifiable as being necessary for the work of an MP. For example, MPs need to be able to make their constituents aware of when they are available for surgeries or constituency meetings, or how they can be contacted.

10.17 However, as noted in the CSPL's Report, the current communications expenditure has proved the subject of considerable controversy. This has arisen for two reasons. Firstly, there is an argument that the expenditure gives an unwarranted benefit to incumbents. Communication often appears self-promotional, even where this may be unintentional on the part of the MP. This, it is argued, puts an incumbent MP at an unfair advantage to potential candidates.

10.18 The second argument suggests that the expenditure is inevitably used for party political purposes. Even where no direct reference to any party is made, the use of photographs or the presentation of issues or statistics can often be considered party political. The potential for the funds

to be used for party political purposes makes it extremely difficult to police. We *could* ask MPs to send in publications to be agreed by IPSA before they are reimbursed, but to assure the validity of these claims would require IPSA's staff to make frequent and complex discretionary judgements on whether the communication is, or could be construed as, party political. Websites prove even more difficult as they can be frequently edited without prior agreement.

10.19 The House of Commons has recognised the dangers inherent in expenditure on communications by limiting the types of expenditure that will be available to MPs from January 2010 onwards. A few items such as posters advertising constituency surgeries will still be allowable, but public funds will no longer be provided for the production and distribution of, for example, any leaflets.

10.20 ***In the light of these arguments, we have concluded that there will be no separate communications allowance. We intend to allow expenses claims for funding the advertising of constituency meetings and surgery times, and for contact cards. MPs would be able to claim for these items as part of their expenses for running offices. All other currently available types of communications expenditure will be excluded.***

Q16: Do you agree with our proposed approach to communications expenditure?

11 Payments on leaving Parliament

Key principles

- 11.1** The key principles to be considered in relation to leaving parliament are:
- In matters relating to expenses as a matter of principle, MPs should be treated in the same manner as other citizens. If the arrangements depart from those which would normally be expected elsewhere, any departures need to be explicitly justified.
 - The scheme should provide value for the taxpayer. Value for money should not necessarily be judged by reference to financial costs alone.
- 11.2** The parallel in the case of non-MPs' employment is with redundancy payments. Legally, redundancy is defined as 'dismissal for a reason not related to the individual concerned or for a number of reasons all of which are not so related.'⁴⁷ This definition could include, for example, a situation where dismissals are not related to the conduct or capability of the individuals dismissed. In the case of MPs, however, it is rarely entirely clear why an MP has not been re-elected, as politics is not just about the conduct or capability of individuals, nor about their performance, but also about the choices and beliefs of individual voters.

Arrangements for the 2010 general election

- 11.3** We agree with the CSPL that any new arrangements for the payments on leaving Parliament should not apply at the end of the current Parliament, as this would be unfair to those MPs who have planned their finances on that basis. Payment of the current resettlement grant to MPs

leaving at or before the 2010 general election will therefore remain a matter for the House of Commons. Similarly, the arrangement for the current winding-up allowance will not change in 2010 as this could have unfair implications for the staff who are expecting redundancy pay if their employers should fail to gain re-election. ***We have agreed with the House of Commons Commission that the House will administer its current rules on resettlement and winding-up allowances in respect of those MPs who retire or are defeated in the 2010 general election.***

Longer term implications

- 11.4** It is clear from the CSPL's Report that opinion is sharply divided on whether there is a continuing case for any kind of resettlement allowance. We note for example that the CSPL quotes Franz Plachy and the Taxpayers' Alliance, both arguing against extending the current arrangements into a future expenses scheme.⁴⁸
- 11.5** The resettlement grant was introduced in 1971 in recognition of the "*uncertainties attached to the tenure of a parliamentary seat and the need for a bridging arrangement for former MPs.*" The CSPL took the view that it is appropriate that redundancy pay be available to MPs who lose their seats through defeat in an election, through a boundary change or as the result of de-selection – just as redundancy pay is available to many others who lose their jobs involuntarily.
- 11.6** As stated throughout this paper, we are of the view that payments ought in principle to be made on the basis of reimbursement for expenses incurred. Payments made directly to MPs on leaving parliament do not meet this criterion.

⁴⁷ Sec.98 (2) Employment Rights Act

⁴⁸ CSPL's Report, p78

There is no way of structuring such a payment that would reflect actual costs incurred. We would need instead to provide a flat-rate allowance – whether as a one-off payment or paid in instalments over a period of time.

11.7 We remain unconvinced of the need for payments to the MP on leaving parliament. We note that in some other professions where there is a risk of unexpected job losses, there is a market for people to take an insurance policy for such an eventuality. MPs voluntarily accept a career with a high level of uncertainty, and we understand that many would want arrangements in place to help mitigate that uncertainty. We do not believe, however, that there is a clear-cut case that the taxpayer should bear the cost of supporting those arrangements.

11.8 If we were to decide that payments on leaving should be retained for MPs in certain circumstances, there are questions to be asked about what those circumstances are. The proposal of limiting such payments to MPs who lose their seats at a general election, as the result of deselection or because of boundary changes is achievable, but potentially creates a perverse incentive to fight elections without really wanting to win. In 1987, the late Willie Hamilton, having been de-selected as MP for Fife Central, stood in the ultra-safe Conservative seat of South Hams and gained just 8% of the vote, allegedly just to increase the payment he received.

11.9 There are also other questions to be asked about:

- the level at which the payment might be capped;
- the link between length of service of an MP and the level of the payment; and
- what payments are made to those MPs who stand down voluntarily, either at an election or between elections. On this last question, we see no obvious reason why there should (as at present and as recommended by the CSPL) be a distinction in the payment offered to MPs in these two categories.

Q17: Do you believe there should be any form of payment in the event of an MP leaving Parliament, either voluntarily or otherwise?

Winding up expenditure

11.10 We believe that winding-up expenditure should continue to be kept separate from any payments made to the MP. Winding up expenditure is used for expenses actually incurred, such as:

- Termination of rental contracts;
- Staff redundancy costs;
- Shredding of sensitive papers; and
- Disposal of equipment and furniture;

11.11 The key principles here differ slightly from payments to the MP, in that it is hard to find an analogy. We believe that the principles in play are value for the taxpayer, and that MPs should be reimbursed for unavoidable costs incurred in performance of their parliamentary duties. We have seen no evidence that the current arrangements fail to meet those principles. Thus, we do not propose to change them significantly in our expenses scheme.

11.12 The CSPL recommended that staff redundancy costs should in future be met out of a central budget.⁴⁹ This suggestion is designed to remove any element of discretion from the MP in deciding how much redundancy pay to give, as this has led in the past to inequalities as between staff. We agree that there is a problem with the status quo, but we are concerned that the effect of the CSPL's recommendation would be simply to reduce the amount of redundancy pay received by MPs' staff. This would not really tackle the CSPL's concerns very effectively. We believe that a better approach would be for the minimum levels of redundancy pay to be agreed as part of any binding guidance issued to MPs as employers, informed by guidelines on best practice such as those issued by ACAS, which would then continue to be paid out of winding-up expenses.

⁴⁹ CSPL's Report, p61

12 Additional resources and contingency arrangements

12.1 This section of the report will look at any other expenditure which has not yet been considered in this report, but might form part of our scheme.

Current arrangements

12.2 Currently, MPs have a number of additional resources available to them. The majority of these are funded through a central 'General Services Budget' which is separate from the budget for allowances as set out in the Green Book.⁵⁰

Disability

12.3 If an MP has a disability he or she may be entitled to extra resources to help to meet any costs of additional assistance required, such as office, staff and travel expenditure both within the House of Commons and in the MP's constituency. Payment of this additional funding is subject to a report from a consultant occupational health medical practitioner retained by the House and is made from the 'General Services Budget'.

Security

12.4 Currently MPs are entitled to claim from a security budget. When the local police so advise, the House contributes to the cost of security measures taken to safeguard MPs, their staff and their equipment at their constituency office or surgery. The existing Administration and Office Expenditure allowance must be used for the first £1000 of expenditure. The House will then meet half of the rest of the cost up to a maximum contribution of £2000.

Childcare

12.5 The House currently operates a childcare voucher scheme for MPs' staff, where vouchers are provided which are free from tax and National Insurance contributions (up to a certain weekly/monthly limit). The scheme is similar to those operated by many public and private sector employers and is subject to the same criteria; for example, the member of staff must have full or partial parental responsibility for the child.

Insurance

12.6 The House currently provides certain types of insurance cover for MPs, their spouses and employees. These include employers' and public liability insurance, personal accident insurance and travel insurance, as well as insurance for centrally provided computer equipment.

MPs' staff pensions

12.7 Under current arrangements, if a member of staff is paid from the current Staffing Expenditure allowance, the House will make regular payments from central funds, equivalent to 10 per cent of salary, to the Portcullis Pension Plan. This is a group stakeholder arrangement. The 10% is paid to two nominated providers on a 50:50 basis, unless the member of staff chooses that it should be paid to just one of the providers.⁵¹ There is also a death in service scheme.

London costs allowance

12.8 MPs for Inner London constituencies currently receive what is effectively a supplement to their salary of £7,500, known as the London Costs Allowance, to meet the higher costs of living in the capital. The London Costs Allowance is also available to any other MPs

⁵⁰ Members Estimate Committee - Second Report , 1 April 2009, 11.1

⁵¹ Green Book, p32

who choose not to claim the cost of accommodation. This allowance is paid in addition to an MP's salary. The London Costs Allowance has more than doubled since April 2009, contrary to the recommendation of the Senior Salaries Review Body that it be increased in line with the Average Earnings Index. Had this recommendation been followed, the allowance rate would currently be £3,760.⁵²

Key principles

- 12.9** We believe the guiding principles in these areas are that:
- Arrangements should be flexible enough to take account of the diverse working patterns and demands placed upon individual MPs, and should not unduly deter representation from all sections of society.
 - Members of Parliament have the right to be reimbursed for unavoidable costs where they are incurred wholly, exclusively, and necessarily in the performance of their parliamentary duties, but not otherwise.
 - The scheme should provide value for the taxpayer. Value for money should not necessarily be judged by reference to financial costs alone.

Our proposals

- 12.10** The CSPL does not make any specific recommendations regarding these additional resources, other than to say that IPSA “should have the discretion to respond appropriately to requests from MPs for assistance to address particular needs”⁵³. There was also little evidence received by the CSPL on these matters. This suggests that these forms of expenditure are less controversial than some others, both with MPs and the public. Therefore we see little need for significant immediate changes.

- 12.11** We intend to return to this additional expenditure in the context of our wider consultation exercise on remuneration of MPs, which we intend to conduct early in the next Parliament. There may be significantly different ways of achieving the aims which lie behind the payments for contingencies, which we have not yet had time to consider. However, whatever we propose will be guided by the principles stated in para 12.9.

- 12.12** In the meantime, we do not propose to deviate significantly from the current arrangements to provide support for expenditure relating to disability and security, except that IPSA will provide some of the budgets for these. We will look to co-ordinate payments relating to an MP's disability with the House of Commons administration, who will also have a continuing role in assessing the impact of that disability and ensuring that reasonable adjustments are made. We also propose that no immediate changes be made to the Childcare voucher scheme, except that it will be IPSA and not the House which administers it.

- 12.13** In terms of insurance, IPSA will make provisions for a scheme for MPs, but will not provide the service directly. This will be the case in all areas of insurance except for matters concerning travel insurance for official committees or delegations, which will continue to be provided for by the House.

- 12.14** We propose that employers' contributions towards pensions for MPs' staff should be made from MPs' staffing budgets. We will not administer the pension scheme ourselves. The House may wish to continue to provide a pension scheme (the Portcullis Pension Plan) targeted at MPs' staff and IPSA will make contributions to this scheme, or any other that MPs' staff may select.

- 12.15** We have not considered short term alternatives to retaining a London Costs Allowance. Clearly this warrants consideration, and we intend to return to it as part of our wider consultation in the next Parliament. It is anomalous to pay a flat-rate allowance in only this one

⁵² CSPL's Report, p48

⁵³ CSPL's Report, p49

area, and we will look at options including weighted salaries or abolishing this allowance altogether.

12.16 Pending that, however, ***we will continue on a transitional basis at the start of the next Parliament to make a payment equivalent to the current London Costs Allowance. Following the recommendation of the CSPL that this allowance should be reduced to be in line with the recommendation made by the Senior Salary Review Body, we will set the rate at £3,760.***⁵⁴

12.17 The CSPL also recommended that there should be a higher allowance for those with constituencies outside the Greater London area who do not receive taxpayer-funded accommodation. This would reflect the greater cost of commuting from such distances. The cost of this to the taxpayer would be significantly smaller than funding that MP's accommodation expenses.

12.18 ***We will make a higher payment to those MPs whose constituencies are outside our definition of a reasonable commuting distance from Westminster but who elect to commute in any case.***

Arrangements for contingencies

12.19 Retaining discretion to respond to ad hoc requests for assistance is consistent with the principle that any arrangements for the new expenses scheme should be flexible enough to take account of the demands placed upon individual MPs. On the other hand, we believe that wherever possible the rules on what is allowable should be clear enough to avoid the need for discretion.

12.20 Reconciling these considerations of flexibility and predictability is not easy. We recognise, however, that any system needs some degree of flexibility to respond to unexpected circumstances. These might range from natural disasters in an MP's constituency to serious

illnesses. Although there is a role for insurance here, some form of contingency fund seems desirable.

12.21 ***We will provide a contingency fund for MPs who need help in exceptional circumstances. This will be closely controlled and limited to very specific circumstances and any expenditure will be subject to justification by the MP and an arbitration process which may include review by a panel.***

12.22 Currently the Speaker retains the responsibility for expenditure from the general services budget, but this is clearly not desirable in any arrangements that we might make. We are considering whether lay people ought to be involved in arbitration on contingency funds.

Transferring funds

12.23 One alternative to arrangements for a contingency fund is to allow MPs to transfer funds between the different budgets. Subject to certain limits, MPs may currently transfer funds not spent on staffing or administrative expenditure to certain other areas, for example to be spent on communications. No approval from the Operations Directorate is required to do this.⁵⁵ This practice is sometimes referred to as "virement".

12.24 This practice is, in our view, not consistent with the principles of openness and transparency, treating MPs like other citizens, or of designing a clear and understandable system. Therefore we believe that individual budgets should have clear caps, and that funds should not be transferrable from one budget to another.

12.25 The current rules also allow MPs to transfer money between allowance years. Subject to there being sufficient funds available, up to 10 per cent of certain allowances can be carried forward into the following allowance year. MPs seeking to make use of this facility must notify the Operations Directorate, providing details

⁵⁴ CSPL's Report, p48

⁵⁵ Green Book, p58

of specific spending plans.⁵⁶ Conversely, an advance can be made into the existing year from the following year's budget. These proposals reflect a principle of end-year flexibility which is common practice at least in the public sector. Although our scheme will not contain allowances but rather consist of expenses and budgets, we will give further consideration as to whether the practice of some flexibility as regards budgets should be allowed in the new scheme.

⁵⁶ Green Book, p59

13 Next steps

- 13.1** We have set out here our proposed approach towards designing an expenses scheme, to allow all those with an interest to consider our proposals, and put their views forward.
- 13.2** This consultation closes on 11 February. Once the consultation period has closed, we will move quickly to analyse the responses. The responses will be published in full unless the respondent indicates otherwise, and as soon as possible after the close of the consultation period. We will also publish our analysis of the responses.
- 13.3** We will then use the responses to inform the content of the expenses scheme, which will be laid before Parliament before the general election if it is called in May or June 2010.
- 13.4** We will produce an Equality Impact Assessment to be published alongside the final scheme. In setting the scheme, we will have particular regard to the potential impact of the scheme on particular areas of society. We have not set out a draft Equality Impact Assessment with this consultation paper, but have taken into account the implications of individual proposals for particular groups at the appropriate stages in this paper.
- 13.5** In the meantime, we invite those responding to raise any concerns about the possible unintended consequences of anything we have set out in this paper. We would also welcome any suggestions on further areas we should consider which have not been referred to in this consultation paper.

Q18: What impact do you believe our proposals might have on the diversity of representation in the House of Commons?

Q19: Are there further areas we should consider which have not been referred to in this consultation?

Annex A

List of proposals

- 1 Early in the next Parliament, we will consult widely on the appropriate remuneration and resourcing of Members of Parliament. That consultation will go beyond questions about expenses. This present consultation is concerned simply with a system to be implemented at the start of the new Parliament.
- 2 While we provide a service to MPs, it is the public whom we serve first and foremost.

Principles of the new expenses scheme

- 3 The principles set out by the Committee on Standards in Public Life will form the basis of the new expenses system.
- 4 There are two further principles, which are implicit in the CSPL's approach, which merit explicit expression:
 - The system of expenses should prohibit MPs from entering into arrangements which might appear to create a conflict of interests in the use of public resources.
 - The system must give the public confidence that high standards of honesty and decency will be upheld.
- 5 In order for the new expenses regime to operate effectively, we suggest that the House of Commons should incorporate into its Code of Conduct two principles from the CSPL report. These are:
 - Members of Parliament should always behave with probity and integrity when making claims on public resources. MPs should be held, and regard themselves, as personally responsible and accountable for expenses incurred, and claims made, and for adherence to these principles as well as to the rules.

- Members of Parliament should not exploit the system for personal financial advantage, nor to confer an undue advantage on a political organisation.

- 6 IPSA would then notify the Parliamentary Commissioner for Standards when we encountered behaviour which might be considered to be in breach of those principles. If the Government's proposed legislative changes are successful, it will be the responsibility of IPSA's compliance officer to ensure compliance with the rules on expenses.

Working as an MP

- 7 It is fundamental to our parliamentary democracy that MPs be free to determine how they are to carry out their role, and are judged at the ballot box on their performance. There is, and can be, no formal job description.
- 8 It will be necessary for us to keep sight of the scale and scope of provision by the House of Commons, to ensure that MPs are not provided with the same services by both IPSA and the House. Equally, we should ensure that nothing important falls between IPSA and the House.

Expenses and allowances

- 9 At the heart of our approach is the principle that MPs themselves must take responsibility for their actions. We believe as a matter of principle that it is preferable that MPs should receive expenses for costs actually and reasonably incurred, rather than a flat rate allowance, unless the cost of administering such a system is shown to be disproportionate to the benefits, or the use of expenses imposes an unreasonable burden on MPs to fund costs before claiming

them back. This is the basis of the new relationship we believe MPs need to agree with the public.

Administering the expenses scheme – a new approach

- 10** We intend to automate processes so that all claims are submitted electronically.
- 11** We intend to ensure that all claims are submitted directly by the relevant MP.
- 12** We intend to allow MPs to apply for interest-free loans, with the use of those loans limited to allowable expenses. MPs will still be expected to submit claims for expenses as they are incurred, and, if we allow the expense, we will reduce the amount to be repaid to us correspondingly. If any of the loan is not subsequently spent on allowable expenses, we would recover the remainder.
- 13** Our starting assumption is that all claims will need to be evidenced unless there are strong reasons otherwise. We will set out in the final scheme the appropriate types of evidence for each type of claim.
- 14** We welcome the Government's statement that it will bring forward legislation to place on IPSA the duty to publish claims made and paid, with such details as we consider appropriate. We believe that all claims, whether approved or not, should be published.
- 15** Our preference is that legislation will allow the compliance officer to initiate investigations on his/her own initiative, at IPSA's behest, or on the basis of a complaint from any individual.

Working from two locations – accommodation for MPs

- 16** It must be for non-London MPs to determine where their home is. Given that most of them will need accommodation at a second location to do their jobs, we believe it is right that that the cost of such accommodation

be met from public funds. This does not necessarily mean a "second home": the accommodation at that second location may be long or short term, whichever gives best value to the taxpayer.

- 17** We propose that MPs are eligible to claim for accommodation expenses unless their constituency contains a station within London transport zones 1-6.
- 18** We note and welcome the recent changes made to the Ministerial Code to the effect that Ministers who occupy a grace and favour home in London will not be eligible to claim expenses for accommodation. We will insert provisions into the scheme of expenses to reflect this.
- 19** We are devising the new system on the basis that, subject to any transitional arrangements for MPs who are re-elected at the General Election in 2010, there will be no payment by way of expenses from public funds for the cost of mortgage interest to MPs in the next Parliament.
- 20** At the beginning of the next Parliament, we intend to allow new MPs to claim (up to a limit) for reimbursement of the costs of renting accommodation on the open market, or of hotel stays. Loans would be available to meet the cost of initial deposits.
- 21** Once we have identified a preferred long-term option, we hope to be able to pilot it in the next Parliament for those MPs elected at by-elections.
- 22** It is unreasonable to end the payment of mortgage interest immediately for those MPs who are now locked into arrangements for their current property.
- 23** As we will not be providing any subsidy for mortgage interest except on a transitional basis, we will not be allowing MPs to have a "second home" at taxpayers' expense, and we will therefore not be giving them the opportunity to use public money to help to increase the value of their homes.
- 24** For the purposes of the expenses scheme, we believe that MPs should simply apply to be considered for accommodation expenses at the beginning of each Parliament, for

the life of that Parliament, to determine whether they are entitled to financial support for accommodation either in London or in their constituency. Where they wish those arrangements to change during the course of a Parliament, MPs should be required to justify these changes in an application to IPSA, and we will set out strict criteria for doing so.

- 25** We consider it is for Parliament to decide whether to take steps to recover gains arising from the payment of mortgage interest from public funds. This might be achieved by resolution of the House of Commons or by legislation.
- 26** We propose to allow MPs with responsibilities for caring for others to apply for higher levels of accommodation expenses so that they can fulfil those responsibilities, without being out of pocket or prevented from becoming an MP.

Travel and subsistence

- 27** We propose to provide funds for travel expenses through two main mechanisms:
- Continued provision of a travelcard for journeys by public transport;
 - Reimbursement of costs incurred when travelling by private transport, such as by car or motorcycle.
- 28** Public funds will be available for the following journeys, if the primary purpose of the journey is the fulfilment of parliamentary duties:
- routine travel between Westminster or the MP's London residence and their constituency residence or office;
 - travel within their constituency; and
 - ad hoc journeys within the UK.
- 29** Travel expenses for journeys by car, motorcycle or bicycle will be reimbursed in accordance with the standard rates approved by Parliament and administered by HM Revenue and Customs, as revised from time to time.

- 30** We propose to limit subsistence payments to occasions when MPs have travelled on parliamentary business away from either of their regular places of work. Subsistence payments will be made retrospectively as reimbursement of costs incurred and receipts will be required.

Staff for MPs

- 31** We believe that funds for staffing should be reported separately from funds for expenses.
- 32** We propose that the expenditure for staff should only be paid to MPs who agree to adhere to commonly accepted good employment practice in the public sector.
- 33** We agree with the CSPL that there should be clear guidance, accompanied by a code of practice, setting out the processes to be followed by MPs when recruiting staff (including those working in constituencies).
- 34** We will look at possible arrangements that we could put in place with recruitment agencies to provide temporary support staff for a time-limited period after a general election. Existing staff would not need to reapply for the position that they currently hold.
- 35** We propose to prohibit the use of public funds in the employment of family members by MPs.
- 36** We agree in principle that if we were to decide to prohibit the use of public funds to employ family members, this should include those who are currently so employed.
- 37** If we were to prohibit the use of public funds in employing family members of MPs, we would propose to use the narrower set of criteria set out in EU law

Working from a constituency

- 38** We believe those MPs who rent offices in a constituency, or hire facilities for surgeries, should be eligible for expenses which cover, among other things:
- rental costs or costs of hiring facilities for surgeries within a constituency; and
 - costs associated with rental (water, electricity, gas or other fuel, ground rent, service charges, approved security measures etc).
- 39** Our scheme will continue to allow MPs to rent from, and share equipment with, political parties. MPs will continue to be required to submit an independent valuation to demonstrate that they are not paying more than the market rate.
- 40** We propose that IPSA should prohibit MPs from renting from, or purchasing goods or services from, members of their families.

Running offices

- 41** We propose to meet certain costs of running offices through the capped provision of expenses, which MPs can incur working in Westminster or their constituency as they feel is necessary (subject, of course, to approval of each claim). The budget might cover costs such as stationery, communication, interpreting, sign language and translation services, staff training beyond that provided by the House of Commons, recruitment services, and staff's travel.
- 42** We propose that MPs should not be able to claim for costs of accountancy to help to fill out tax returns.
- 43** We propose that all claims for incidental expenditure should be accompanied by receipts. This is in line with the CSPL's recommendations.

- 44** We believe MPs' staff should be entitled to claim for costs of travel for journeys in connection with MPs' parliamentary duties, and that these should come out of the budget for running offices.
- 45** We do not believe at this time that it is necessary or desirable to set a cap on the specific number or cost of journeys undertaken by staff. It is more important that MPs are expected to demonstrate value for money, and certify that the journey undertaken by their staff was justified and made use of the most economically viable option.
- 46** We have concluded that there will be no separate communications allowance. We intend to allow expenses claims for funding the advertising of constituency meetings and surgery times, and for contact cards. MPs would be able to claim for these items as part of their expenses for running offices. All other currently available types of communications expenditure will be excluded.

Payments on leaving Parliament

- 47** We have agreed with the House of Commons Commission that the House will administer its current rules on resettlement and winding-up allowances in respect of those MPs who retire or are defeated in the 2010 general election.

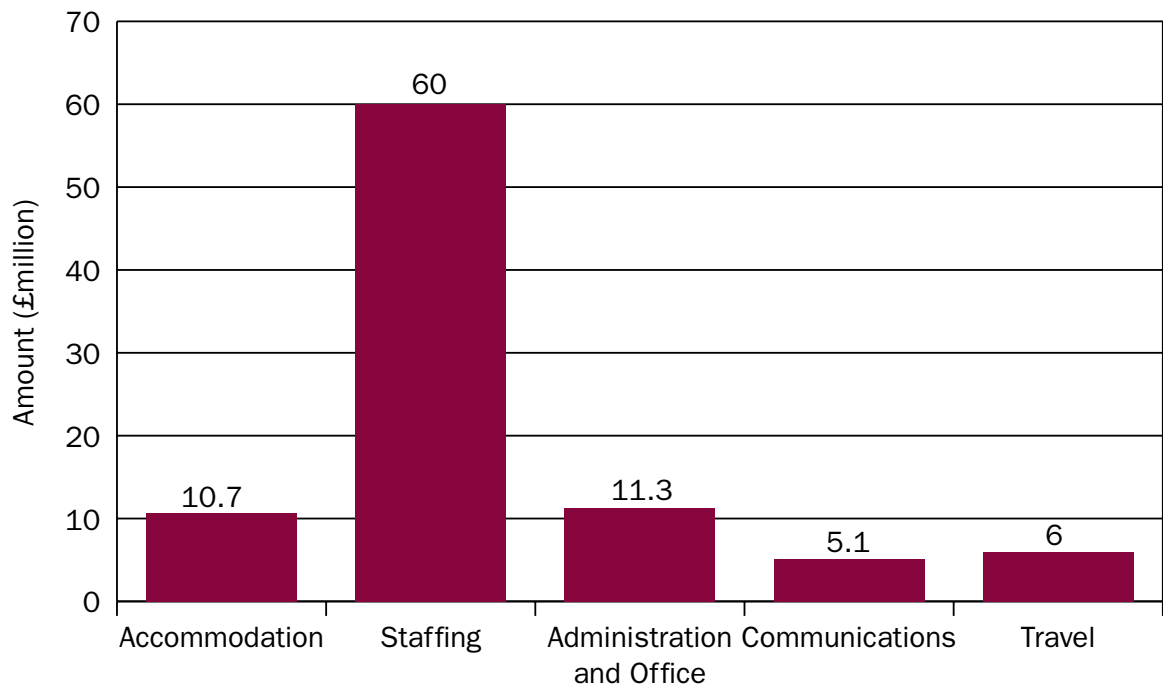
Additional resources and contingency arrangements

- 48** We will continue on a transitional basis at the start of the next Parliament to make a payment equivalent to the current London Costs Allowance. Following the recommendation of the CSPL that this allowance should be reduced to be in line with the recommendation made by the Senior Salary Review Body, we will set the rate at £3,760.

-
- 49** We will make a higher payment to those MPs whose constituencies are outside our definition of a reasonable commuting distance from Westminster but who elect to commute in any case.
 - 50** We will provide a contingency fund for MPs who need help in exceptional circumstances. This will be closely controlled and limited to very specific circumstances and any expenditure will be subject to justification by the MP and an arbitration process which may include review by a panel.

Annex B

Summary of allowances claimed, 2008–09



Note: These figures are taken from the CSPL's Report, *MPs' Expenses and Allowances*.

No payments were made by way of resettlement grants or winding up expenditure in 2008/09, as there was no general election, but payments of £5.4 million and £3.8 million respectively were made under those two categories following the 2005 election.

Annex C

Glossary of key terms

Allowances

Allowances are paid at a flat rate, nominally for a defined purpose but with freedom in practice for recipients to spend as they see fit.

Committee on Standards in Public Life (CSPL)

The Committee on Standards in Public Life was set up in 1994. It is not a parliamentary committee but reports to the Prime Minister. It examines concerns about standards of conduct of all holders of public office, and makes recommendations for changes.

Constituencies

The UK is divided into areas called constituencies. One MP is elected to represent each of these areas. The size and number of constituencies are reviewed at intervals of between 8 and 12 years by the Boundary Commissioners. Any changes must be agreed by Parliament.

Expenses

Expenses are payments made in recompense for actual, defined costs.

MP (Member of Parliament)

A Member of Parliament (MP) is elected by the voters in a particular constituency to represent the constituency in the House of Commons.

Parliament

Parliament includes both the House of Commons and the House of Lords. Our responsibility is only for the House of Commons.

Parliamentary Commissioner for Standards

The Parliamentary Commissioner for Standards was set up by the House of Commons in 1995, and is in charge of regulating MPs' conduct and propriety. The Commissioner's responsibilities include investigating complaints about MPs who are allegedly in breach of the MPs' Code of Conduct.

Annex D

Summary of CSPL recommendations and our proposals

Working from two locations		
Past arrangements	CSPL recommendation	Our proposed system
MPs were able to claim up to £24,222 towards accommodation costs. Claims could include mortgage interest, rent or hotel costs.	<p>Support will only be provided for rent or hotel costs. MPs will have accommodation directly provided by the new regulator through an agency.</p> <p>Under transitional arrangements, MPs with existing mortgages will be able to claim for mortgage interest until the end of the next Parliament.</p>	<p>MPs to claim (up to a limit) for reimbursement of the costs of renting accommodation on the open market, or of hotel stays. Loans would be available to meet the cost of initial deposits.</p> <p>Further consideration will be given to a long term option with a view to piloting the preferred option in the next parliament. These options include delivering a scheme along the model of the Ministry of Defence scheme for service personnel, for IPSA to purchase property or for IPSA to contract a not-for-profit organisation to provide accommodation for MPs.</p> <p>Apart from some temporary transitional arrangement for current MPs, MPs will no longer be able to claim for mortgage interest.</p>
MPs could claim not only for basic costs such as utilities, council tax, and building and contents insurance but also for services such as cleaning and gardening and items such as white goods.	MPs will only be able to claim for basic costs such as utilities, council tax, and contents insurance.	MPs will be able to claim for council tax, water, electricity, gas or other fuel, ground rent, contents insurance, service charges and approved security measures.
MPs could claim for the cost of maintaining their properties, including any repairs or redecoration. Claims could not in principle be made for anything improving the capital value of a property.	Interim arrangements where MPs can no longer claim for the costs of furnishing, repairs or maintenance to be made permanent.	MPs will no longer be able to claim for the costs of cleaning, gardening, furnishing, repairs or maintenance.

Working from two locations		
Past arrangements	CSPL recommendation	Our proposed system
MPs with constituencies in outer London can claim for the cost of a second home if they so wish.	No MP who represents a constituency falling within a reasonable commuting distance of Parliament will be eligible to claim for the cost of a second home.	MPs are entitled to claim for accommodation expenses unless their constituency contains a station within London transport zones 1-6.
<p>In practice though not in principle MPs could allegedly change the designation of their main and second homes to maximise personal benefit.</p> <p>MPs did not have to pay capital gains tax on the sale of second homes.</p>	<p>Designation of second homes to be determined in line with rigorously enforced objective rules policed by the new regulator.</p> <p>Any capital gain made during the transition period and attributable to support from public funds should be surrendered to Parliament.</p>	<p>For the purposes of the expenses scheme, MPs apply at the beginning of each Parliament, for the life of that Parliament, to determine whether they are entitled to financial support for accommodation either in London or in their constituency.</p> <p>It is for Parliament to decide whether to take steps to recover gains arising from the payment of mortgage interest from public funds. This might be achieved by resolution of the House of Commons or by legislation.</p>
Ministers who have the use of grace and favour homes in London can claim the costs for a second home in London as well.	Interim measures (where Ministers living in grace and favour homes in London can no longer claim for the costs of a second home in London) to be made permanent.	Ministers who occupy a grace and favour home in London will not be eligible to claim expenses for accommodation.
MPs who share accommodation can each claim the full allowance.	MPs who share accommodation as partners should be entitled between them to claim up to a limit of one individual ceiling, plus one-third.	MPs who share accommodation as partners will be entitled between them to claim up to a limit of one individual ceiling, plus one-third.

Travel and subsistence		
Past arrangements	CSPL recommendation	Our proposed system
MPs may currently claim for all costs of travel for parliamentary duties between home, constituency, and office.	MPs will no longer be able to claim for reasonable commuting costs and must pay for these in the same way as their constituents. No MPs can claim for the cost of journeys to a home outside the constituency or London.	MPs should meet the costs of their daily commute to work whether it is to Westminster or their constituency. Public funds will be available for the following journeys, if the primary purpose of the journey is the fulfilment of parliamentary duties: <ul style="list-style-type: none"> • routine travel between Westminster or the MP's London residence and their constituency residence or office; • travel within their constituency; • ad hoc journeys within the UK.
MPs may travel first class.	MPs should always consider value for money in purchasing tickets. They may still be able to claim for first class rail travel where they can justify it, but can only claim for economy class travel on flights within the UK or Europe.	MPs should normally be expected to claim for standard class for rail travel, and that they should only be entitled to claim for expenses for first class travel in exceptional circumstances. Claims for air travel within the UK would be for economy class only.
MPs may claim for the cost of family travel up to a set limit.	MPs may continue to claim for the cost of family travel up to the limits currently in place. However, they may no longer claim for first class travel for family members, and may only claim for family travel during recess in exceptional circumstances.	Where MPs have responsibility for caring for other people, those people are eligible for travel between the MP's accommodation in London and their constituency. Funding would not necessarily extend to the family members of MPs who do not have responsibility for caring for others.
MPs do not have to submit supporting evidence for journeys below a certain level, depending upon constituency size.	MPs should submit receipts and details of all journeys, to be published online. Where appropriate, class of travel should also be published.	Consulting on three options (see para 7.7).
MPs may claim up to three return visits a year to national parliaments of Council of Europe member states, and EU institutions and agencies. For each visit the Member may claim for two nights' subsistence.	No change.	No change.

Travel and subsistence		
Past arrangements	CSPL recommendation	Our proposed system
MPs could claim £25 a night for food without needing to provide receipts when staying away from home.	Only MPs staying in hotels will be able to claim for the costs of meals up to £25 a night. Receipts will be required.	Subsistence payments limited to occasions when MPs have travelled on parliamentary business away from either of their regular places of work. Receipts will be required.

Staff for MPs		
Past arrangements	CSPL recommendation	Our proposed system
MPs may currently claim up to £103,812 to employ staff to support their parliamentary duties.	No change.	To be reviewed separately.
Pay ranges are set centrally, though MPs have discretion as to where to place staff within the pay scale. MPs have discretion to award bonuses up to a certain limit.	<p>MPs should continue to set their staff's pay in accordance with central pay scales. Guidance on good employment practice should be issued by the new regulator.</p> <p>The House of Commons authorities should issue binding guidance, accompanied by a code of practice, setting out the processes to be followed by MPs when recruiting staff and on other matters of good employment practice.</p>	<p>Before commencing payment of any staff member employed from public funds, we will expect the MP to certify (for publication online) that:</p> <ul style="list-style-type: none"> • there is a contract in place which meets any requirements that we set out, including legal requirements; • the appropriate code on recruitment has been followed; • guidance on good employment practice will be followed; • the staff member has been registered on the House's Register of Members' Staff; and, if such a rule is adopted, that • there is no family relationship as defined in the expenses scheme rules
It is a breach of the House of Commons Code of Conduct for MPs' staff to be used in support of party political activities.	It remains a breach of the House of Commons Code of Conduct for MPs' staff to be used in support of party political activities. But there should be a code of conduct for staff, and MPs should sign an annual declaration confirming that they have abided by the code and used parliamentary resources appropriately.	<p>MPs may be asked to certify at the end of each year that all claims complied with the principles underpinning the expenses scheme, and/or to publish an annual report, setting out for their constituents how they are spending the public money they receive.</p> <p>Programme of targeted checks on compliance with rules, which might include visits to MPs' offices.</p>

Staff for MPs		
Past arrangements	CSPL recommendation	Our proposed system
MPs may employ members of their own families using public funds.	MPs will no longer be allowed to use the staffing allowance to fund the employment of family members. Transitional arrangements will allow existing family members to remain in their posts for one more Parliament.	MPs may not employ members of their own families using public funds. Transitional arrangements will allow existing family members to remain in their posts for one more Parliament.

Working from a constituency		
Past arrangements	CSPL recommendation	Our proposed system
MPs can claim up to £22,293 to meet office running costs and pay for additional services.	No change.	Expenditure will be split into two separate capped expenses types: Constituency Office Rental Expenditure (CORE) and costs of running offices. Limits to be determined.
MPs can rent offices and pay for services from party political organisations, provided that the political party does not benefit. An independent valuation is required prior to renting from a party political organisation.	New audit arrangements should ensure that parliamentary funds are not used either intentionally or inadvertently to give rise to material benefits for political parties. An independent valuation should still be required prior to renting from a party political organisation.	IPSA will continue to require an independent valuation to be submitted prior to renting from a party political organisation. IPSA will examine other ways of ensuring abuse does not happen in this area.

Running offices		
Past arrangements	CSPL recommendation	Our proposed system
On leaving Parliament MPs retain ownership of office equipment purchased with public funds.	Equipment purchased using public funds should remain the property of Parliament.	We will set out controls designed to prevent possible abuses of the system, such as limiting the purchase of expensive goods by an MP shortly before they stand down.
MPs may claim a £10,400 a year communications allowance to communicate proactively with constituents.	No communications allowance. Proactive communication must be paid for out of the existing administrative and office expenditure budget. Current policing arrangements should continue to apply.	No separate communications allowance. Claims allowed for advertising of constituency meetings and surgery times, and for contact cards. All other currently available types of communications expenditure will be excluded.
MPs may claim for the cost of staff travel up to a set limit.	No change.	MPs may claim for the cost of staff travel, with no specific limit on number of journeys. As regards the class of travel (standard or first), the same criteria should apply for MPs' staff as for MPs.

Payments on leaving Parliament		
Past arrangements	CSPL recommendation	Our proposed system
MPs who lose their seats or stand down at a general election receive a resettlement grant of between 50 and 100 per cent of annual salary.	MPs who lose their seats at a general election should receive one month's pay for every year served up to a maximum of nine months salary. MPs who stand down at a general election should receive eight weeks' pay from the date of the general election in lieu of notice to cover time spent winding-up offices, dealing with staff, and transferring casework. Loss of resettlement grant should be one of the sanctions considered as a penalty for MPs found guilty of breaching the Code of Conduct.	Consulting on whether there should be any form of payment in the event of an MP leaving Parliament, either voluntarily or otherwise.
MPs may claim for the costs of a winding-up allowance to meet necessary expenditure incurred after leaving office – e.g. to settle outstanding bills or pay staff who have been given notice.	No change to claims for the winding-up allowance. The amount claimable should be reduced to reflect the fact that redundancy pay for staff should in future be paid out of a central budget.	No significant changes to current arrangements.

Additional resources and contingency arrangements		
Past arrangements	CSPL recommendation	Our proposed system
MPs with disabilities can receive extra financial assistance for staffing, travel, office and accommodation. Paid through the General Services Budget.	IPSA should have the discretion to respond appropriately to requests from MPs for assistance to address particular needs	We will look to co-ordinate payments relating to an MP's disability with the House of Commons administration, who will also have a continuing role in assessing the impact of that disability and ensuring that reasonable adjustments are made.
The House operates a childcare voucher scheme for MP's staff, which gives staff with tax and NI savings on childcare costs.	None.	No significant changes except that IPSA will administer the scheme.
The House currently provides certain types of insurance cover for MPs, their spouses and employees.	None.	IPSA will make provisions for insurance cover for MPs (except for official committee travel), but will not provide the service directly.
House makes regular payments from central funds to the Portcullis Pension Plan for MPs' staff pensions.	None.	Employer contributions towards pensions for MPs' staff will be made from MPs' staffing budgets.
MPs who do not claim for the cost of accommodation instead receive a £7,500 London Costs Allowance.	London Costs Allowance should be reduced to the level recommended by the Senior Salaries Review Body (which would currently be £3,760). There should be a higher allowance for those with constituencies outside the Greater London area who do not receive taxpayer funded accommodation. Commuting MPs who work late can claim for the cost of travel home or overnight hotel.	We will continue on a transitional basis at the start of the next Parliament to make a payment equivalent to the current London Costs Allowance. Following the recommendation of the CSPL that this allowance should be reduced to be in line with the recommendation made by the Senior Salary Review Body, we will set the rate at £3,760. We will make a higher payment to those MPs whose constituencies are outside our definition of a reasonable commuting distance from Westminster but who elect to commute in any case.
Subject to certain limits, MPs may currently transfer funds not spent from one allowance to certain other areas. No approval from the Operations Directorate is required to do this.	None.	Individual budgets should have clear caps, and there should no longer be any provision to transfer from one to another.

Annex E

List of questions in this consultation

Q1: Do you agree that the CSPL's principles, supplemented as proposed, should form the basis of the new expenses system?

Q2: Do you agree with our proposal to concentrate on expenses rather than allowances wherever possible?

Q3: Do you agree that there should be annual limits to the amount that can be spent from public funds on each of the main elements of our expenses scheme, except for travel and subsistence?

Q4: Do you agree with our approach to the submission of claims?

Q5: Are you content with our proposed approach to the publication of claims?

Q6: Do you support the idea of requiring MPs to produce an annual report of their use of public funds?

Q7: We propose that MPs are eligible to claim for accommodation expenses unless their constituency contains a station within London transport zones 1-6. Do you agree with this approach?

Q8: Which of the following is most important in a long-term system for accommodating MPs:

- **MPs having responsibility for their own actions;**
- **Cost to the taxpayer;**
- **No money passing through MPs' hands;**
- **Flexibility for MPs to identify properties that meet their particular needs?**

Q9: When should the payment of mortgage interest to existing MPs be ended?

Q10: Do you agree with our proposed approach to accommodation expenses for MPs with caring responsibilities?

Q11: Do you agree with our proposed list of running costs for accommodation which might be met through public funds?

Q12: Which of the options that we set out do you favour in providing assurance about claims for travel expenses?

Q13: Do you agree with our approach to travel by public transport, including ordinarily travelling standard class?

Q14: We propose to prohibit the use of public funds in the employment of family members by MPs. Do you agree with this approach?

Q15: We propose that IPSA should prohibit MPs from renting from, or purchasing goods or services from, members of their families. Do you agree with this approach?

Q16: Do you agree with our proposed approach to communications expenditure?

Q17: Do you believe there should be any form of payment in the event of an MP leaving Parliament, either voluntarily or otherwise?

Q18: What impact do you believe our proposals might have on the diversity of representation in the House of Commons?

Q19: Are there further areas we should consider which have not been referred to in this consultation?

Annex F

How to respond to this paper

- 1** We invite full written responses from anybody who wishes to respond to this paper in more detail. We ask that all responses address the questions posed, and where possible follow the headings of each chapter. This will enable effective and efficient analysis of responses. Please feel free either to respond to every question or to limit your response to questions where you have a particular interest.
- 2** Given the speed at which we are consulting, we have made provision for direct responses on our consultation website. You can find this website at www.mpexpensesconsultation.org.uk. Here you will be able to respond to all of the questions posed in the paper through a quick online survey, or to download the full consultation paper.
- 3** The consultation period runs from Thursday 7th January to Thursday 11th February. Please ensure you send your response before the closing date as responses received after 11th February may not be considered.
- 4** We ask for written responses by email if possible to info@ipsa.gsi.gov.uk – please mark the email with the subject “consultation response”. Responses should be in Word format or a rich text format, with as little use of colour or logos as possible. If you do not have access to email, you may send a paper copy of your response to:

MPs' Expenses Consultation
Independent Parliamentary Standards
Authority
Steel House, 11 Tothill Street
London SW1H 9LH

- 5** If you require a hard copy of the consultation paper you can request one in writing by writing to the above address or by emailing info@ipsa.gsi.gov.uk .



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