



LEADER OF THE HOUSE OF COMMONS

Written Ministerial Statement

3 February 2011

Independent Parliamentary Standards Authority: Evidence to the First Year Review from the Leader of the House

Leader of the House of Commons and Lord Privy Seal (Rt. Hon Sir George Young Bt MP): The Independent Parliamentary Standards Authority is currently conducting its first year review of the parliamentary expenses scheme. IPSA launched a formal process for public consultation on 5 January 2011.

Under the Parliamentary Standards Act (2009), the Leader of the House is a statutory consultee of the Scheme. Today, I am publishing the evidence that I am submitting to IPSA and I have placed copies in the Library of the House, in the Vote Office for Members and on the Leader's website www.commonleader.gov.uk

Although I am responding as a statutory consultee, it has not been my intention to respond on behalf of the House. I understand that Party Groups and individual MPs may be sending in separate submissions.

As I have set out in my evidence, I believe there are five key principles that should guide the regime for Members' expenses. They are:

- Independence. Members should not determine their own allowances;
- Transparency. Public confidence must be maintained through transparent rules and publication of expenses data;
- Professionalism. Members should be properly resourced so that they can effectively represent their constituents and perform their parliamentary duties;
- Fitness for Purpose. Members from all backgrounds must be able to provide an equal service to their constituents; the system should not deter candidates from less affluent backgrounds from becoming or remaining Members of Parliament, nor adversely affect family life;
- Cost effectiveness. The system should minimise the cost to the taxpayer, both by limiting the amount Members may claim to what is absolutely necessary and by offering simple, cost-effective administration.

The public consultation closes on 11 February and I would encourage all Members who wish to raise issues with IPSA to do so before the end of the consultation period, so that IPSA are able to take account of the broadest range of views from within the House.

**INDEPENDENT PARLIAMENTARY STANDARDS AUTHORITY
FIRST ANNUAL REVIEW OF THE MPs' EXPENSES SCHEME
SUBMISSION FROM THE LEADER OF THE HOUSE**

Introduction

1. I am submitting this evidence to the first annual review of the MPs' Expenses Scheme in my capacity as Leader of the House of Commons and a statutory consultee under section 5 of the Parliamentary Standards Act 2009. This reflects the debates and exchanges that have taken place in the House and the representations that have been made to me by MPs from all Parties. Individual MP's and Party Groups will be of course be making their own responses to the review.

2. MPs are elected to the House of Commons first and foremost to represent the interests of their constituents and of the nation; they must also hold ministers to account and scrutinise the government's legislative programme in Parliament. Although an MP's heavy workload is by no means unique, the pattern of their working life - requiring them to run two separate offices in London and their constituency - is unusual. To carry out these roles effectively, and to ensure that MPs from all backgrounds can provide an equal service to their constituents, MPs need an appropriate, accessible, efficient and cost-effective expenses system.

3. This is not a personal benefit for MPs. The system should enable them to meet, among other things, the costs of running a constituency office, of engaging effectively with their constituents, of travelling between their constituency and Westminster (and to carry out constituency duties in different parts of their constituency), and of employing and equipping staff to support them in their Parliamentary work. MPs who represent constituencies outside London also need to meet the cost of spending a significant part of the week away from their main home. In addition to resourcing MPs to enable them to do their job, the system should not be so complex or intrusive as to divert MPs and their staff from their duties, or from seeking reimbursement for legitimate expenditure.

4. I believe that the current expenses scheme, as designed, implemented and administered by the Independent Parliamentary Standards Authority, is failing in many respects adequately to support MPs to undertake their responsibilities. There are some highly unsatisfactory features of the scheme that are at best distracting, and at worst impeding, MPs from doing their jobs. In addition, some aspects of the new regime are in danger of deterring people from less affluent backgrounds from becoming - and in some cases remaining - Members of Parliament and are also placing undue pressure on some MPs' family lives. This is unsustainable and it would be unacceptable to the House, if Parliament is to perform the task the country expects.

5. I continue to support the principles of independent regulation and transparency. However, it would be unacceptable for any external body to prejudice the service that constituents should as a matter of course expect from their Member of Parliament. I welcome the IPSA's annual review of the Expenses Scheme and the opportunity for the public and MPs to submit evidence to the review. In the light of the resolution passed by the House on 2 December 2010, the House will expect IPSA to recognise the need for substantial change, and come forward with proposals for a simpler and in the long-run more cost-effective system that

properly supports all MPs as they go about their duties. Achieving this, given the range of different working practices engaged in by 650 MPs, is not easy; and I recognise whatever decisions IPSA chooses to make on the future of the scheme may necessarily involve balancing competing demands for simplicity, cost-effectiveness, certainty, and robust scrutiny of claims.

6. The Scheme and the associated procedures for submitting, processing, paying and publishing claims were introduced to a challenging timetable. Members of the IPSA's staff have worked hard over the last eight months to implement the new system. This demanding schedule has, however, had some serious unintended consequences and it is essential that the IPSA now take stock and review the system to ensure that the key elements of the new scheme are established, if not actually operational, by 1 April 2011, in order to comply with the resolution passed by the House on 2nd December.

7. I do not intend to respond to each individual question posed in the consultation document but I set out below a series of principles to inform the review process, with the aim of ensuring that any new scheme devised by the IPSA gives MPs the support they need to carry out their jobs effectively, efficiently and in the best interests of their constituents.

Principles

Learning the lessons of the past

8. The IPSA was established to address the serious and widespread public concern about the old system of MPs' allowances operated by the House of Commons, which was subject to indefensible abuse. Part of the problem was that MPs themselves set the rules, determined the allowances and oversaw the administration of a system that was kept hidden from the public. Part of establishing public confidence in the system of MPs' expenses was to set up an independent Authority to determine the rules and to process and publish claims.

9. There is no question of returning to the discredited old system of parliamentary allowances. The regime that existed for the majority of the last Parliament was fundamentally wrong, and allowed some MPs to make a personal profit on the back of the taxpayer. I am absolutely clear that there must be no going back to a system that fails to meet the three tests of building public confidence, establishing greater transparency and ensuring value for money.

10. MPs should not be required to meet legitimate business costs out of their own pockets, but equally the system must guard against any possibility of MPs profiting from their expenses. The expenses that MPs receive are taxpayers' money and they must continue to be subjected to rigorous, independent scrutiny, including scrutiny by the public.

Fitness for Purpose

11. The Expenses Scheme should support people from all walks of life to serve in Parliament, whatever their background, personal and family circumstances. There are a wide variety of Members with differing financial circumstances and it is not acceptable for them to be

expected, for example, to set up and run a fully functioning constituency office out of their own pockets, before claiming reimbursement. An MP's costs can be substantial; for most employees, they would usually be met directly by their employer. I welcome the introduction of advances and I hope that the review will consider ways of further reducing the amount of money that MPs have to pay up-front, particularly for office costs.

12. A transparent expenses system is crucial for restoring trust in MPs. The publication regime should be stringent enough to deter any wrongdoing or attempted wrongdoing, without penalising people who make genuine mistakes. MPs must not be deterred from applying for expenses because they fear reputational damage as a result of failed claims made in good faith, nor from seeking advice for fear that the fact that they have done so may be disclosed and used against them.

13. The IPSA should still have a role to play in advising Members on the rules and might consider arrangements for anonymised advice to be published so that everyone can see what advice has been given to others.

Efficiency

14. The expenses scheme should not as a matter of principle place undue costs on the taxpayer. One of the complaints about the IPSA system to date has been the costs it has imposed on MPs, and the running costs of the IPSA itself. It is impossible to make a direct comparison between the costs of the Fees Office and the IPSA. Nonetheless, any reform of the scheme should reduce the costs to both MPs and the IPSA in administering the scheme. It is also important that the scheme should avoid perverse incentives for MPs to spend more.

15. It is important that the scheme's administration should be as efficient as possible for both MPs and the IPSA, while being able to assure the public that MPs are only receiving what is necessary for them to do their jobs effectively. The majority of receipts are now processed within 7.5 days of the claim. However, it is a very common complaint among colleagues that the system is too time-consuming to use. Some colleagues report spending several hours simply to process one expense claim. The system is still too bureaucratic and the IPSA should consider ways in which it can streamline this process and thereby reduce the amount of time that it takes to access and use the online claims site. Minimising the administrative burden and costs to MPs should be a high priority for this review. It is equally important that payments are approved and made as efficiently and quickly as possible and that the IPSA continues to improve the speed and effectiveness of its response to communications with MPs.

16. For many MPs, cash flow remains a problem, as they are still required to make substantial payments out of their own pockets before claiming reimbursement. New MPs who entered Parliament in May 2010 have in particular reported difficulty in meeting the set-up costs of entering the House. They include, in most cases, the cost of renting and furnishing a constituency office, and of renting accommodation in London.

17. Colleagues have welcomed moves to extend the use of the procurement card and of direct payments to landlords. Further extension of these payment methods, subject to the necessary

safeguards, has the potential to reduce the financial burden on Members, particularly on new Members at the start of a Parliament - and might in fact reduce some of the administrative costs to the IPSA. There is merit in ensuring that the Scheme also as a matter of principle reduces to the minimum the amount of money that passes through an MP's bank account. This will provide further reassurance for the public that there is no scope for MPs to profit personally from the Scheme.

Simplicity

18. The system must be able to ensure that only legitimate payments are made, and it must be able to demonstrate that this is the case to the satisfaction of auditors and the wider public. However, subject to this condition, it should be as simple as possible. MPs and their staff face significant pressure on their time and a system that is time-consuming or complex for them to use risks undermining the central purpose of supporting MPs in their work by making it difficult for them to reclaim essential parliamentary business expenses.

19. IPSA should consider ways in which the system for submitting claims could be simplified. For example, where the IPSA travel-card has been used to purchase tickets for public transport, and IPSA is able to confirm from published sources that the amount claimed is consistent with the journey concerned, then the requirement to submit a detailed form and provide tickets and receipts might be waived. The IPSA have already extended the services that they will allow to be purchased through the credit card to other matters such as council tax payments and utilities bills. Further extension of the areas in which the credit card could be used would, through the publication of credit card statements, provide an audit trail of MPs' expenses at a lower administrative cost for both IPSA and the MPs.

Flexibility

20. As IPSA recognises in its Fundamental Principles, the Scheme should be flexible enough to recognise the diverse working patterns of MPs and the demands placed on them. Given that few MPs adhere to the same working patterns - either because of their differing parliamentary roles or due to the distinct geography of their constituency - a very simple, one-size-fits-all schemes may not meet the needs of many MPs.

21. However, there needs to be a sufficient amount of flexibility in the Scheme to ensure that it does not dictate how MPs do their jobs, by forcing them to operate in only one way. Nor should it dictate the hours and working practices of the House of Commons. Many MPs have been calling for greater simplification including the reintroduction of flat-rate allowances in some areas, such as constituency travel, up to a certain limit.

22. I welcome the suggestion in the Annual Review consultation document for greater flexibility in how individual MPs manage their expense budgets, particularly the proposal to merge Constituency Office Rental Expenditure (CORE) and General Administrative Expenditure (GAE). Enabling MPs to vire between budgets while still demanding full transparency would ensure that the scheme is able to take account of the different circumstances of MPs' offices.

Transparency

23. There is understandable public interest in the publication of MPs' claims. The system should be as transparent as possible. It was the publication of expenses claims that exposed the weaknesses of the old system. Transparency can be used to ensure that claims under the new system are legitimate, reasonable and within the rules and so to restore confidence and trust in Parliament. Publishing the data more regularly than current practice would ensure that constituents have more timely access to the information, and avoid the establishment of an artificial 'league-table' of claims every two months. IPSA should consider publishing in real time rather than at bi-monthly intervals.

24. Transparency should mean providing sufficient background for the raw expenditure data to be understood in its proper context.

Cost

25. The system should minimise cost to the taxpayer, both by limiting the amount that MPs may claim to what is absolutely necessary and by offering simple, cost-effective administration.

26. The current Scheme allows Members to claim a maximum of £19,900 per annum in respect of rented accommodation in the London area, with total expenditure limits in other parts of the UK ranging from £9,472 to £15,050. It has been suggested that this provides a perverse incentive for Members who already own a property to let it out and rent additional accommodation, rather than to live in it and claim only for expenses such as utilities and council tax. The end of Mortgage Interest Subsidy in 2012 is likely to place more MPs in a position where they cannot continue to live in mortgaged property which they already own.

27. Members whose constituencies are outside the London area may choose to claim the London Area Living Payment instead of Accommodation Expenses. However, this Payment is intended only to cover the additional costs of living in the London area and is currently set at £313 per month. It is not intended to cover the costs of those Members who need to stay regularly overnight away from their main home, nor would it be sufficient to do so in most cases.

28. Some in the House of Commons, from both sides of the House, have suggested an alternative. The Committee on Standards in Public Life proposed a mechanism which would sit alongside the London Area Living Payment. This could simplify the administration of the scheme while achieving a cost-saving for the taxpayer. If adopted by IPSA, this would allow MPs outside the London area to opt to claim a significantly lower proportion than the total accommodation expenditure to which they would be entitled, but, as with the London Living Allowance, it would be an automatic, monthly payment.

The London area

29. IPSA defines the "London Area" as a group of 128 constituencies whose Members are not eligible to claim Accommodation Expenses. This includes all 73 constituencies in the London region and 55 constituencies in surrounding areas.

30. For MPs whose constituencies are at the outer edges of IPSA's definition, the impact is significant. The recognition which the Expenses Scheme gives to the additional costs associated with having two places of work is, in these cases, very limited and at the end of most sitting days, many of these MPs are required to return to their constituencies at their own expense, often late at night and certainly well after most commuters would expect to have arrived home. IPSA should equally have regard for the security of Members travelling home late at night, who due to their national and constituency profile may be more vulnerable than other members of the general public.

31. Specifically, the emphasis on platform-to-platform rail journeys at peak times fails to reflect the reality of door-to-door journeys which are regularly made late at night. Many MPs then have to return to the House of Commons early the next morning, for example to take part in committee meetings. It is not sensible, nor conducive to an effective working legislature, to expect MPs to get home after midnight, and then to play an active role in proceedings in Parliament by 0930 the next day.

32. Equally, it is not tolerable for MPs to be forced to sleep in their offices, as some have over the last seven months, due to the inflexibility of the rules and the uncertainty surrounding the House's sitting hours. As elsewhere, the expenses scheme should be able to accommodate the sometimes irregular working patterns of Parliament.

33. The IPSA's proposal in the original Expenses Consultation was to define the London Area as any constituency that contained a station within the Transport for London travel zones 1-6. Following consultation, the Authority decided to expand the Area to include all constituencies any part of which is within 20 miles of Westminster and all constituencies from which it is possible to commute to Westminster within 60 minutes at peak times (notwithstanding the fact that the House often rises long after the commuting peak).

34. IPSA should consider revising the arrangements for MPs in the London Area in order to reflect the demands made on MPs' time both late at night and the following morning.

Family life

35. As well as ensuring that the scheme does not prevent those from all backgrounds serving as MPs, it is equally important that it does not inhibit family life. Over the last twenty years, Parliament has adapted its working practices to the contemporary realities; although its hours are still unconventional by the standards of most contemporary businesses, progress has been made in encouraging greater female representation and ensuring a more balanced working life for those with families. If Parliament is to continue to attract and retain candidates with children, it is crucial that this is maintained. The fact that an MP has to work in two places should not automatically mean that they have to spend a significant part of their week living

apart from their family and the Scheme should work to keep families together, rather than to separate them.

36. In that context, the additional accommodation allowances for those with caring responsibilities make it very difficult for an MP to conduct any sort of family life within the rented accommodation, often in the constituency where they live during recesses. There does not seem to be any logical reason why there should be an allowance for a child of 4 to live in the rented accommodation but not one for a child of 6, especially if the child had already started school while under the age of 5. Greater flexibility here would be welcomed.

Conclusion

37. I want to make Parliament work better. MPs have a vital constitutional role: fighting for their constituents' interests in the House of Commons; holding ministers to account for their actions; debating the issues that really matter to the public; and scrutinising legislation. Empowering MPs, so that they can discharge these important duties more effectively, will strengthen Parliament. This is a vital step towards restoring public confidence in our democratic institutions and the expenses regime has a key role to play in securing this.