



# Members' allowances

RESEARCH PAPER 09/60 25 June 2009

On 22 January 2009, the House of Commons agreed a new version of the Green Book, rules on Members' allowances and changes to the audit regime for Members' allowances. The new Green Book came into effect on 1 April 2009.

This paper reviews developments that led to the revision of the Green Book; the background to changes made since it was published; and the decision by the Committee on Standards in Public Life to inquire into Members' expenses:

It covers:

- The Senior Salaries Review Body's review of pay and allowances, published in January 2009;
- The Members Estimate Committee's *Review of Allowances*, and debates on it;
- The revised Green Book, agreement to it and subsequent changes;
- Government proposals for further changes to the Allowances system; and
- The Committee on Standards in Public Life's inquiry into Members' expenses.

A separate Research Paper (RP09/61) is available on the *Parliamentary Standards Bill*.

Richard Kelly

## Recent Research Papers

<b>09/50</b>	Economic Indicators, June 2009	03.06.09
<b>09/51</b>	War and Peace in Sri Lanka	05.06.09
<b>09/52</b>	Autism Bill: Committee Stage Report	10.06.09
<b>09/53</b>	European Parliament Elections 2009	17.06.09
<b>09/54</b>	Local Elections 2009	15.06.09
<b>09/55</b>	The Departmental Select Committee System	16.06.09
<b>09/56</b>	Marine and Coastal Access Bill [HL] [Bill 108 of 2008-09]	16.06.09
<b>09/57</b>	Unemployment by Constituency, May 2009	17.06.09
<b>09/58</b>	US Congressional debates on the financial crisis: key players, policy and future regulation	23.06.09
<b>09/59</b>	Holocaust (Return of Cultural Objects) Bill (formerly known as Holocaust (Stolen Art) Restitution Bill): Committee Stage Report	24.06.09

## Research Paper 09/60

**Contributing Authors:** Richard Kelly, Parliament and Constitution Centre

This information is provided to Members of Parliament in support of their parliamentary duties and is not intended to address the specific circumstances of any particular individual. It should not be relied upon as being up to date; the law or policies may have changed since it was last updated; and it should not be relied upon as legal or professional advice or as a substitute for it. A suitably qualified professional should be consulted if specific advice or information is required.

This information is provided subject to [our general terms and conditions](#) which are available online or may be provided on request in hard copy. Authors are available to discuss the content of this briefing with Members and their staff, but not with the general public.

We welcome comments on our papers; these should be e-mailed to [papers@parliament.uk](mailto:papers@parliament.uk).

## Contents

	<b>Summary</b>	<b>1</b>
<b>1</b>	<b>Introduction and overview</b>	<b>2</b>
	Structure of the Paper	2
1.1	Overview of events	3
	Allowances: current rates	5
<b>2</b>	<b>SSRB review of parliamentary pay and allowances 2007</b>	<b>6</b>
2.1	Background	6
2.2	Recommendations on Allowances	6
	Staffing costs	7
	Expenditure on offices	7
	Communications Allowance	7
	Travel allowances	8
	Additional Costs Allowance	8
	London Supplement	8
	Compensation on leaving office	8
	Winding Up Allowance	9
2.3	Government response	9
2.4	Debate	9
	Decision of 24 January 2008 on Members' allowances	10
<b>3</b>	<b>MEC review of allowances (June 2008)</b>	<b>10</b>
3.1	Conduct of the MEC Review	11
3.2	Conclusions of the MEC Review	12
3.3	Debate on the MEC Review	13
	The Resolution of the House on Members' Expenses – 3 July 2008	15
3.4	Review of allowances and audit	16
	The need for further debate	16
	The debate	17
	Members' allowances – decision of 16 July	19
3.5	Next steps	19
	Implementing the decision of 3 July: consultation on Members' allowances	19

<b>4</b>	<b>Revisions to the Green Book and the review of audit and assurance (January 2009)</b>	<b>21</b>
4.1	The Members Estimate Committee Report	21
4.2	The revised Green Book	22
4.3	Members' allowances: audit and assurance	23
4.4	Adopting the revised Green Book	24
4.5	Debate	25
<b>5</b>	<b>Committee on Standards in Public Life Inquiry into MPs' allowances (announced March 2009)</b>	<b>30</b>
<b>6</b>	<b>Government proposals for reforms to the allowances' system (April 2009)</b>	<b>34</b>
6.1	Initial announcement	34
6.2	The motions	38
6.3	Debate and decisions	39
	Members' allowances	39
	Questions arising from the Government's acceptance of the amendment to the motion on Members' allowances	40
	Members' Allowances (Greater London)	41
	Registration of Members' Financial Interests	42
	Members' Staff	43
	Members' Allowances (Evidence of Expenditure)	45
	Members Estimate Committee (Amendment of the Green Book)	45
<b>7</b>	<b>Proposals for an independent Parliamentary Standards Authority and changes to the rules on allowances (announced May 2009)</b>	<b>45</b>
7.1	Current position	51
	<b>Appendix 1 – MEC recommendations made in its <i>Review of Allowances</i></b>	<b>52</b>
	<b>Appendix 2 – Payments to hon Members (Publication Scheme)</b>	<b>54</b>
	<b>Appendix 3: The roles of the Members Estimate Committee and the Committee on Members' Allowances</b>	<b>55</b>
	Members Estimate Committee	55
	Committee on Members' Allowances	55

## Summary

Members of Parliament are able to claim allowances to support their work in Parliament and their constituencies. The allowances are designed to ensure that Members are reimbursed for costs properly incurred in performance of their duties. The allowances cover employing staff; office facilities and equipments; overnight accommodation; communicating with constituents; and travel. Both the allowances and Members' pay are regularly reviewed by the Senior Salaries Review Body (SSRB).

Following the most recent review of pay and allowances by the SSRB in 2007, the Members Estimate Committee (MEC) recommended a new system of audit and assurance for allowances; changes to the scope of overnight allowances; and other changes to the allowances regime.

These reviews and details of Freedom of Information requests for breakdowns of Members' expenses claims brought the question of allowances into the public domain to a greater extent than ever before. They also provoked public dissatisfaction with the allowances system.

The House rejected MEC recommendations for auditing allowances and some of its specific recommendations on individual allowances in July 2008. However, later in the month it agreed to allow the rules to be rewritten. At the same time, the Leader of the House announced a consultation on audit arrangements.

In January 2009, the MEC issued a revised Green Book and details of new arrangements for the audit of allowances, which the House approved on 22 January 2009. Both came into effect on 1 April 2009.

The leaking first of information on individual Members' expenses and subsequently the *Daily Telegraph's* acquisition and publication (starting in May 2009) of unredacted details of claims, prompted further action, even before the new rules came into force.

In March 2009, the Government supported the Committee on Standards in Public Life's decision to hold an inquiry into Members' expenses. Then in April, the Government set out plans for changes to allowances, at the time the CSPL was issuing its consultation paper. When the Government's proposals were put before the House of Commons, an amendment that conclusions should be deferred until the CSPL reported was agreed; however, this did not prevent some specific changes to allowances also being agreed to.

In May 2009, party leaders met and agreed immediate changes to the rules on overnight allowances. They also agreed that parliamentary allowances and parliamentary standards should be overseen by an independent body. A bill to establish the Independent Parliamentary Standards Authority was introduced on 23 June 2009 (see the Library Research Paper (RP 09/61) *Parliamentary Standards Bill 2008-09*).

The Bill is expected to receive Royal Assent before the Summer Recess and the CSPL inquiry is expected to report in October.

## 1 Introduction and overview

In 1996, the House agreed that Members' pay should increase annually in line with changes in the pay rates of the senior civil service, that salaries and allowances should be subject to regular reviews by the Senior Salaries Review Body (SSRB), and that the House should continue to determine Members' pay and allowances on the basis of these reviews.

The SSRB reported on Members' pay and allowances in 2001 and in 2004. It was asked to undertake a further review in 2006, and although the Government received the SSRB's report in July 2007, it did not publish it until January 2008. When the House debated the SSRB's report in January 2008, it did so against a backdrop of limits on public sector salary increases, concerns about Members' involvement in setting their own salaries, and some concerns about allowances. In line with Government motions, the House agreed that most of the recommendations of the SSRB should be reconsidered. Those on a revised automatic mechanism for determining annual increases in Members' pay were referred to Sir John Baker, the retiring chairman of the SSRB, and those on allowances were referred to the Members Estimate Committee (MEC) – a committee established by the House in 2004 to oversee the resolutions of the House relating to expenditure charged to the Members Estimate.<sup>1</sup>

This paper concentrates on the subject of Members' allowances. The issues relating to Members' pay are discussed in a separate Research Paper.<sup>2</sup>

### **Structure of the Paper**

This paper briefly reviews the recommendations that the SSRB made on allowances. It then outlines the conclusions of the debate in January 2008, in which the House agreed to refer the recommendations to the MEC (Section 2).

The MEC's review of allowances was published in June 2008. The report and the debate, which took place on it on 3 July 2008, are considered in Section 3, along with a further debate on Members' allowances, on an Opposition motion, which also took place in July 2008.

Among other things in July 2008, the House agreed a timetable for implementing changes recommended by the SSRB; that the House's rules on allowances – the Green Book – should be rewritten; and that audit practices needed to be changed.

The revised Green Book and a review of audit arrangements were published by the MEC in January 2009. Section 4 discusses the outcomes of these reviews. The House considered the revised Green Book and the proposals for audit arrangements on 22 January 2009, and the debate is reviewed in the same section.

In March 2009, the Committee on Standards in Public Life (CSPL) announced that it would undertake an inquiry into Members' expenses. Some details of the background to the inquiry are given in Section 5. The Government made proposals for changes in April 2009, these and further proposals for the establishment of an independent Parliamentary Standards

---

<sup>1</sup> The activities of the House of Commons are funded by two Estimates, the House of Commons: Administration Estimate and the House of Commons: Members Estimate. The Administration Estimate focuses on the administrative costs of running the House of Commons as an institution. The focus of the Members Estimate is mainly on Members of Parliament as individual elected representatives. It provides for their remuneration, parliamentary allowances and IT equipment in support of them carrying out their work effectively. [House of Commons, *Members Estimate – Annual Report, Resource Accounts & Audit Committee Annual Report 2007-08*, July 2008, HC 975 2007-08, paras 2-4]

<sup>2</sup> House of Commons Library Research Paper 09/29, *Members' pay and the independent review process*, 31 March 2009

Authority, announced in May 2009, are described in Sections 6 and 7, respectively. Decisions taken by the MEC to further restrict what expenses could be claimed under the allowances as a result of details of claims appearing in the press are also described in Section 7.

### 1.1 Overview of events

Members of Parliament are able to claim allowances to support their work in Parliament and their constituencies. The allowances are designed to ensure that Members are reimbursed for costs properly incurred in performance of their duties. The allowances cover employing staff; office facilities and equipments; overnight accommodation; communicating with constituents; and travel. Both the allowances and Members' pay are regularly reviewed by the Senior Salaries Review Body (SSRB).

In January 2008, the Government published the *Review of parliamentary pay, pensions and allowances 2007*, which it received from the SSRB in July 2007.

Also in January 2008, the House debated the SSRB report and referred several of its recommendations relating to allowances to the Members Estimate Committee (MEC). The MEC considered recommendations on renaming allowances; reducing the level of the Incidental Expenses Provision; introducing a centrally funded system for paying for the renting of constituency offices; changing the rules on the requirement for receipts; the auditing of expense claims; extending the travel allowance for spouses and civil partners to named partners; limiting the scope of and changing the formula for payments under the Resettlement Grant; and consequential changes to the provisions for winding up allowances. The House agreed to implement the SSRB recommended increase in Staffing Allowance, which would allow Members to employ the equivalent of 3½ full-time staff. The timing of the introduction of this change was referred to the MEC.

The SSRB's recommendations on Members' pay are discussed in a separate Research Paper ([Members' pay and the independent review process](#)).

Shortly after the House referred the review of allowances to the MEC, the Committee on Standards and Privileges reported that Derek Conway had misused the Staffing Allowance. The House confirmed his suspension, recommended by the Committee on Standards and Privileges, and the Speaker announced that the MEC's inquiry would be widened.

During the course of its inquiry, the MEC published recommendations on receipts and sought the views of Members. Its final report was published in June 2008. The MEC recommended a new system of audit and assurance, and changes to the scope of overnight allowances. It agreed with the SSRB that the House should meet the full costs of constituency offices but rejected proposals for limiting constituency space according to staff based at Westminster. It also recommended minor changes to other allowances.

The MEC report was debated, along with Members' pay, on 3 July 2008. The House rejected the MEC's proposals for audit and assurance – instead agreeing arrangements for the audit of claims under the Additional Costs Allowance. It approved recommendations on staff contracts, constituency offices, travel and London allowance but rejected recommendations on overnight allowances.

Then on 16 July 2008, on an Opposition Day, the House again discussed allowances. The House agreed that the Green Book (the rules on Members' allowances) should be rewritten by the Advisory Panel on Members' Allowances (APMA), and that the National Audit Office should undertake an external financial audit. Before this debate, Harriet Harman, the Leader of the House of Commons announced that a consultation paper on the auditing of allowances would be issued; it was published on 5 August 2008.

The APMA prepared a draft of the Green Book during the autumn and at the same time, the MEC asked the Members Estimate Audit Committee (MEAC) to “make proposals on the future role of the National Audit Office as the external auditor of the House of Commons and the House of Commons’ own Internal Audit service in providing audit and assurance of spending on the Members’ allowances”.

On 15 January 2009, the MEC published its report *Revised Green Book and audit of Members’ allowances*. On the same day, Harriet Harman announced that the House would debate motions to approve the MEC’s report; the MEAC’s review of audit and assurance; a motion to replace the APMA with a Committee on Members’ Allowances; and changes to the House’s publication scheme relating to the Members’ allowances scheme. She also announced that the House would be asked to approve a draft Order that removed information held by either House of Parliament about Members’ allowances from the scope of the *Freedom of Information Act 2000*. Following unfavourable reaction to the draft Order, it was decided not to ask Parliament to approve the draft Order.

On 22 January, the House approved the other motions relating to Members’ allowances and the revised rules on Members’ allowances came into force on 1 April 2009.

Public interest in expenses claims made by Members grew throughout the period under review. The details of the Conway case; appeals against the Information Commissioner’s ruling on requests for details of claims under the Additional Costs Allowance for specific Members, all the way to the High Court; the House’s subsequent decision to release information to receipt-level for all Members, reflecting the High Court decision for specific Members; various attempts to exempt either Members or Parliament from Freedom of Information legislation; and ultimately the publication of leaked details of Members’ claims by the *Daily Telegraph* all helped to maintain this interest.

In March 2009, the Committee on Standards in Public Life (CSPL) announced that it would undertake an inquiry into Members’ allowances. At the beginning of April, the Prime Minister was asked by party leaders that they work together to resolve the matter. Then on 21 April, the Prime Minister (in an online video statement) and the Leader of the House (in a written ministerial statement) announced the Government’s plans to reform the allowances system, in an interim way, pending the outcome of the CSPL inquiry. On 30 April, the House debated the Government’s plans – although proposals for a daily allowance that were in the original proposals were not tabled. The House agreed an amendment, from the Committee on Standards and Privileges, to await the report from the CSPL, but it still made a number of changes to the allowances regime: Members with constituencies within 20 miles of London would no longer be eligible for Personal Additional Accommodation Expenses (PAAE) from 1 April 2010; changes would be introduced to details Members have to provide about their outside interests, from 1 July 2009; the House of Commons Commission was asked to review the way in which Members’ staff are employed; the threshold for receipts was reduced to zero, from 1 July 2009; and the responsibilities of the MEC were changed to give it the power to amend the Green Book.

In May 2009, the *Daily Telegraph* began publishing a series of articles on claims made by Members for allowances, having obtained unredacted information that was being prepared for release by the House of Commons in response to FoI rulings. The redacted information was released on 18 June 2009.

In part because of the leaking of information about allowances, but for other reasons as well, the pressure on the Speaker to resign grew. On 18 May, he announced that he had convened a meeting of party leaders to discuss the events, review party leaders’ announcements and agree an approach to deal with the situation. The reaction to the announcement was not overwhelmingly supportive – the Speaker was told that a motion of

no confidence in him was to be tabled that day. The following day, the Speaker announced that he would resign on 21 June; he also, later in the day, announced the outcome of the meeting of party leaders, in relation to expenses. He said that further restrictions would be placed on what could be claimed under PAAE. He also announced that the Leader of the House would make a statement on proposals made by the Prime Minister, and supported by other party leaders, for the regulation of the House of Commons by an independent body.

On 20 May 2008, the Leader of the House announced that the Government would consult on Parliament legislating to delegate responsibilities to an independent parliamentary standards authority – covering both Houses of Parliament. She also confirmed that the MEC would agree changes to rules on allowances. There was all-party support for the plans and on 10 June, the Prime Minister confirmed the plans. Over the weekend of 13-14 June, the Leader indicated that it was her intention that the legislation establishing the parliamentary standards authority would have received Royal Assent by the Summer Recess.

### **Allowances: current rates**

The following table sets out the current rates of the main allowances available to Members of Parliament. It compares them with the rates that applied in the previous financial year and shows the changes that were made to the titles of the various allowances.

**Table 1: Members' allowances – names and rates, 2008/09 and 2009/10**

<b>Allowance (£)</b>		
2008/09 title		
2009/10 title	2008/09	2009/10
Incidental Expenses Provision	22,193	
<i>Administration and Office Expenditure</i>		22,393
Communications Allowance	10,400	
<i>Communications Expenditure</i>		10,400
Staffing Allowance	100,205	
<i>Staffing Expenditure</i>		103,812
Additional Costs Allowance	24,006	
<i>Personal Additional Accommodation Expenditure</i>		24,222
Winding Up Allowance	40,799	
<i>Winding Up Expenditure</i>		42,068
London Allowance	2,916	
<i>London Costs Allowance</i>		7,500
<b>Mileage rates (pence per mile)</b>		
Car - first 10,000 miles	40	40
Car - in excess of 10,000 miles	25	25
Motorcycle	24	24
Bicycle	20	20

The MEC revised the rules on PAAE on 20 May 2009, following the Speaker's meeting with party leaders on 19 May (see section 7).

A Resettlement Grant is available to Members who leave the House at a general election to assist with the costs of adjusting to non-parliamentary. The level of the grant payable to each Member is based on age and length of service. Fuller details of the current allowances

and the uses to which they can be put are set out in *The Green Book: A guide to Members' allowances*.<sup>3</sup>

## 2 SSRB review of parliamentary pay and allowances 2007

### 2.1 Background

On 25 July 2006, Jack Straw, the then Leader of the House of Commons, announced that the Prime Minister had requested the SSRB to undertake a review of Members' pay and allowances. He set out the terms of the review in a written ministerial statement.<sup>4</sup>

On 26 July 2007, the final sitting day before the Summer Recess, Harriet Harman, the Leader of the House of Commons, announced that the SSRB's review of parliamentary pay and allowances had been completed and that the Government planned to publish the report in the autumn.<sup>5</sup> In the event, the publication of the report was postponed.

At Business Questions on 10 January 2008, the Leader of the House announced that the SSRB's report would be published on 16 January and debated on 24 January.<sup>6</sup> The review was published on 16 January 2008.<sup>7</sup> On the same day, the Leader of the House published a written ministerial statement setting out the Government's response to the SSRB's report.<sup>8</sup>

### 2.2 Recommendations on Allowances

The SSRB expressed its concern about calling Members' allowances "allowances". It argued that "an allowance may ... be thought to mean an amount that is allocated regardless of actual expenditure".<sup>9</sup> In its summary, it noted:

Most of what are known as allowances for MPs are in fact mechanisms for reimbursing expenditure actually and necessarily incurred by MPs in order to do their jobs. ... We believe allowances should be renamed to make as clear as possible that this is not money which augments MPs' salaries, but is expenditure necessarily incurred to do the job their constituents and the nation expect of them.<sup>10</sup>

In order to overcome these perceptions, it recommended the change of the name of a number of the allowances that are currently available (see below). It noted that there was "much comment about MPs' allowances in the press" but that it had received no substantive evidence to suggest that the system was being abused. However, it did suggest that "some additional measures should be put in place to improve the transparency of the system" – it noted that the Scottish Parliament published details of MSPs' claims quarterly and in greater detail than Westminster. It also noted private sector practice in relation to the production of receipts and the auditing of expense claims.

It recommended that "the House agree that the ceiling for reimbursement of unreceipted expenditure be set at £50 per member per month", and that the House of Commons request the National Audit Office to audit the expenses of a representative sample of MPs each year

---

<sup>3</sup> House of Commons, *The Green Book: A guide to Members' allowances*, March 2009

<sup>4</sup> HC Deb 25 July 2005 cc102WS-103WS

<sup>5</sup> HC Deb 26 July 2007 c107WS

<sup>6</sup> HC Deb 10 January 2008 c535

<sup>7</sup> Review Body on Senior Salaries, *Review of parliamentary pay, pensions and allowances 2007*, Report No 64, Cm 7270-1, January 2008

<sup>8</sup> HC Deb 16 January 2008 cc32WS-36WS

<sup>9</sup> Review Body on Senior Salaries, *Review of parliamentary pay, pensions and allowances 2007*, Report No 64, Cm 7270-1, January 2008, para 1.13

<sup>10</sup> *Ibid*, para 22

(Recommendations 17 and 18). It suggested that between 5 and 10 per cent of Members' claims should be audited.<sup>11</sup>

### **Staffing costs**

The SSRB recommended that the following allowances be renamed:

- Staffing Allowance would become Staffing Expenditure
- Temporary Secretarial Allowance would become Temporary Secretarial Expenditure (Recommendation 19).

The SSRB noted that Members' workloads have increased (as a result of easier communication and more casework) and it recommended that the Staffing Expenditure ceiling should be increased to allow Members to employ up to the equivalent of 3.5 full-time staff rather than three (Recommendation 20).

It pointed out that London-based staff normally earn more than those working elsewhere and it recommended that the ceilings on Staffing Expenditure for 3.5 staff based in and outside London should be:

In London:	£102,650
Outside London:	£96,630

The difference was based on each full-time staff member in London earning a maximum of £1,720 more than staff based outside London (Recommendations 21 and 22).

These recommendations mirrored recommendations made in 2004 that the House overturned, in favour of single maximum allowance for staffing costs for all Members, irrespective of the location of their staff.

### **Expenditure on offices**

The SSRB noted that Members faced different costs for renting office accommodation in their constituencies according to location. It recommended that the costs of leasing accommodation for office and "surgery" space should be met in full. The costs of up to 800 square feet would normally be met but this area would be reduced by 100 square feet for every member of staff based on the Parliamentary Estate (Recommendation 23).

It recommended that the Incidental Expenses Provision should be renamed Other Office Expenditure and that the ceiling should be "reduced by £2,500 for each member of an MP's staff with a workstation on the Parliamentary Estate" (Recommendation 24).

The SSRB suggested that "IEP should be reduced by the average cost of premises currently met through the IEP (currently £5,000)". It also noted that the IEP contained an element of £5,000 to cover communications and with the introduction of the Communications Allowance suggested that this be reduced by half.<sup>12</sup> Accordingly it recommended that the new limit for Other Office Expenditure should be set at £13,839 – that is £7,500 lower than the current limit for IEP of £21,339 (Recommendation 25).

### **Communications Allowance**

In its summary, the SSRB confirmed:

---

<sup>11</sup> *Ibid*, para 5.5

<sup>12</sup> *Ibid*, paras 5.30 and 5.34

We have examined the new Communications Allowance and we believe it is broadly sound.

**Recommendation 26:** We recommend that the Communications Allowance be renamed Communications Expenditure and be confirmed at £10,000 a year. It should be uprated in April each year in line with movement in RPIX.<sup>13</sup>

### ***Travel allowances***

The SSRB reviewed representations it received on the reduction in the motor mileage allowance that it had recommended in 2004 and that the House accepted in 2004 and 2005. It concluded that there should be no change to the current rates.<sup>14</sup>

The SSRB also suggested that the House reconsider the rules that allow Members with distant or large constituencies to claim expenses for accommodation when they cannot reach either their main or second home, on the day they started their journey.<sup>15</sup>

As a result of representations from Members, the SSRB recommended that “partners of MPs who are named in the Parliamentary Contributory Pension Fund as sole beneficiaries should be entitled to the same travel arrangements available to spouses and civil partners” (Recommendation 27).

### ***Additional Costs Allowance***

The SSRB fully endorsed the necessity of the Additional Costs Allowance. It argued that it should “be subject to the limit on reimbursement of unreceipted expenditure” (of £50), which it had recommended, see above.<sup>16</sup> It then recommended that the allowance should remain at its current level, be renamed Personal Accommodation Expenditure, and that it should continue to be uprated in line with the retail price index (Recommendation 28).

### ***London Supplement***

The SSRB recommended that the London Supplement be increased from £2,812 to £3,500 and that it should be uprated in line with the Average Earnings Index (AEI) for public sector workers, rather than the combined public and private sector AEI (Recommendation 29). It argued that £3,500 was more in line with the rates received by public sector employees in comparable roles in London. The SSRB also suggested that “the House review whether some constituencies currently in the outer zone should be reclassified to the inner zone, thus attracting only the London Supplement”.<sup>17</sup>

### ***Compensation on leaving office***

At present the Resettlement Grant is available to all Members when they leave the House of Commons at a general election. The exact amount given to each Member is determined by their age and length of service. The SSRB argued that the grant was “designed to fulfil much the same purpose as redundancy payments. Such payments are not normally made to workers who retire or resign”.<sup>18</sup> It recommended changes to the structure and the coverage of the compensation scheme for Members who left:

**Recommendation 30:** We recommend that, with effect from the general election after next, Resettlement Grant should be paid at a rate of one month’s salary for each year

---

<sup>13</sup> *Ibid*, para 30

<sup>14</sup> *Ibid*, paras 5.42-5.47

<sup>15</sup> *Ibid*, para 5.50

<sup>16</sup> *Ibid*, para 5.54

<sup>17</sup> *Ibid*, para 5.55

<sup>18</sup> *Ibid*, para 5.62

of service as an MP, up to a maximum of nine months' salary, to MPs who lose their seats at a general election or whose seats disappear as a result of boundary changes.

### ***Winding Up Allowance***

In the light of changes to the Staffing Allowance and the Incidental Expenses Provision, the SSRB recommended that:

**Recommendation 31:** We recommend that the Winding Up Allowance be renamed Winding Up Expenditure and that, after the next general election, the ceiling be calculated as one third of the relevant annual Staffing Expenditure, plus one third of the limit on Other Office Expenditure and one third of the actual annual office rent or lease claimed by each MP concerned.

## **2.3 Government response**

On 16 January 2008, the Government published the SSRB's report; set out its response in a written ministerial statement; and tabled motions to give effect to its response.<sup>19</sup>

In the written ministerial statement the Leader of the House announced that the Government proposed referring the recommendations on Members' allowances to the MEC to examine in the light of observations by the Advisory Panel on Members' Allowances (APMA).<sup>20</sup>

In the motions that were laid on 16 January 2008, the House was asked to approve the implementation of the SSRB's recommendations on the Staffing Allowance, subject to the decisions of the MEC with regard to their timing and administration. The Motion on Members' Allowances provided for the SSRB recommendations on unreceipted expenditure, audit, central funding of constituency office costs, Incidental Expenses Provision, partners' travel, Communications Allowance, Resettlement Grant, Winding-up Allowance, and nomenclature of allowances to "be referred to the Members Estimate Committee for further consideration following consultation with the Advisory Panel on Members Allowances".<sup>21</sup>

## **2.4 Debate**

In opening the debate, on 24 January 2008, the Leader of the House, Harriet Harman, reviewed the SSRB's report. She commented that many of the proposals on allowances "raise complex issues", therefore the Government proposed that "they should be referred for further detailed consideration to the Members Estimate Committee", which would receive advice from the APMA.<sup>22</sup>

Speaking for the Conservative Party, the shadow Leader of the House, Theresa May, said that it was "important for the MEC to consider carefully the implications of the proposals [from the SSRB]". She said that it was important that the House considered "seriously" the question of the audit of allowances.<sup>23</sup>

Tony Lloyd, the chairman of the Parliamentary Labour Party, noted that there appeared to be general agreement that it was "right and proper" for the MEC to consider allowances. He also said that it was important to "establish the fact in the public mind that allowances are not

---

<sup>19</sup> The motions appeared on the Order Paper in the "Remaining Orders and Notices" section for the first time on 17 January 2008

<sup>20</sup> HC Deb 16 January 2008 cc32WS-36WS

<sup>21</sup> HC Deb 24 January 2008 c1654

<sup>22</sup> HC Deb 24 January 2008 c1654

<sup>23</sup> HC Deb 24 January 2008 cc1668-1669

Members' pay".<sup>24</sup> During the course of the debate other Members welcomed the proposal to refer the question of allowances to the MEC.<sup>25</sup>

Simon Hughes, for the Liberal Democrats, also agreed that it was right that the MEC considered the question of allowances. He argued that the Committee should also consider the London Supplement, which the motion did not refer to it.<sup>26</sup>

At the end of the debate, the House agreed to the motions tabled by the Government in response to recommendations from the SSRB on parliamentary pay, pensions and allowances, without a division. The House agreed to implement the SSRB recommended increase in Staffing Allowance, which would allow Members to employ the equivalent of 3½ full-time staff. The House referred the timing of the introduction of this change and whether higher rates should be paid if staff were based in London to the MEC. The House also referred to the MEC the SSRB's recommendations on allowances.

### **Decision of 24 January 2008 on Members' allowances**

#### **MEMBERS' ALLOWANCES**

*Resolved,*

That this House notes the recommendations made in Chapter 5 of the report of the Review Body on Senior Salaries on parliamentary pay, pensions and allowances (Cm 7270-I) a copy of which was laid before this House on 16th January; and is of the opinion that—

(1) recommendations 20-22 relating to an increase in staffing allowance should be implemented, subject to the decisions of the Members Estimate Committee with regard to their timing and administration;

(2) recommendations 17-19, 23-28, 30 and 31 (relating to reimbursement of unreceipted expenditure, audit, central funding of constituency office costs, Incidental Expenses Provision, partners' travel, Communications Allowance, Resettlement Grant, Winding-up Allowance, and nomenclature of allowances) be referred to the Members Estimate Committee for further consideration following consultation with the Advisory Panel on Members Allowances.<sup>27</sup>

### **3 MEC review of allowances (June 2008)**

On 28 January 2008, before the MEC began its work, the Committee on Standards and Privileges published a report on *The Conduct of Mr Derek Conway*, in which it reviewed the use that Mr Conway had made of the Staffing Allowance, following a review by the Standards Commissioner. It concluded that Mr Conway had misused the Staffing Allowance, and recommended that he pay back some money and be suspended from the service of the House for 10 days.<sup>28</sup> The House agreed the Committee on Standards and Privileges' report on Derek Conway, on 31 January 2008.<sup>29</sup>

Also on 31 January 2008, the Speaker told the House that the MEC would consider the SSRB's recommendation at a meeting convened on 4 February 2008. On 4 February, before the meeting, he confirmed that the MEC would also consider the report from the

---

<sup>24</sup> HC Deb 24 January 2008 c1670

<sup>25</sup> For example, HC Deb 24 January 2008 c1687; and c1692

<sup>26</sup> HC Deb 24 January 2008 cc1677-1681

<sup>27</sup> HC Deb 24 January 2008 c1720

<sup>28</sup> Committee on Standards and Privileges, *Conduct of Mr Derek Conway*, 28 January 2008, HC 280 2007-08

<sup>29</sup> HC Deb 31 January 2008 cc481-490

Committee on Standards and Privileges, and how to proceed. After the MEC's meeting, the Speaker wrote to all Members announcing that that the review would require the consideration of "a wide range of complex issues". The MEC agreed that

... this will require a root and branch examination of the current system and that the review should build its options for reform on the existing regime governing allowances.<sup>30</sup>

### 3.1 Conduct of the MEC Review

The MEC decided that the review would be taken forward by its three backbench members (Sir Stuart Bell MP, Nick Harvey MP and David Maclean MP).<sup>31</sup>

On 28 February 2008, the MEC's report, *Review of Members' Allowances*, was published.<sup>32</sup> The report set out the MEC's key priorities and how it would undertake its review. The Committee also reported that it had "agreed that the threshold of £250 for invoices and receipts should be reduced from the start of the next financial year".<sup>33</sup>

On 11 March 2008, the MEC's report *Review of Members' Allowances: Threshold for Receipts* was published. The MEC considered three options for the new receipt threshold, £100, £50 and £25. It took into account views from Members, members of the public and officials. It reported that it had "considered whether the threshold should be zero but ruled it out for practical reasons". It also commented on petty cash and decided that the amount of petty cash which could be drawn each month would be limited to £50 and that "Members will keep a petty cash book recording what items petty cash is spent on, which may be subject to audit". The MEC instructed the Department of Resources that "with effect from 1 April 2008, no claim against allowances of £25 or more per item will be reimbursed unless it is accompanied by a receipt".<sup>34</sup>

On 2 April 2008 the MEC published an Issues Paper. It set out a number of questions and asked for comments by 5 May 2008.<sup>35</sup>

During the course of its review, the MEC met with outside bodies and experts such as the National Audit Office (NAO), HM Revenue & Customs (HMRC), accountants PKF and PwC and the Chairman of the CSPL. The CSPL provided a set of *Principles to govern a review of MPs' allowances*, which it believed "should be followed in the review of MPs' allowances".<sup>36</sup> It also met with Members; and with Party groups, the Parliamentary Labour Party, the 1922 Executive of backbench Conservative MPs and the backbench Liberal Democrat party. It also received a number of papers from the House of Commons Department of Resources, the department responsible for administering and paying Members' allowance claims. A number of the papers received from the Department of Resources were published separately by the MEC.<sup>37</sup>

---

<sup>30</sup> [Letter](#), from the Speaker to all Members, 4 February 2008

<sup>31</sup> Members Estimate Committee, [MPs' pay and allowances Q&A](#), undated

<sup>32</sup> Members Estimate Committee, [Review of Members' Allowances](#), 28 February 2008, HC 368 2007-08. Note, the electronic version of the report was republished on 13 March, however, the next report (published on 11 March) refers to this being published on 26 February

<sup>33</sup> *Ibid*, para 3

<sup>34</sup> Members Estimate Committee, [Review of Members' Allowances: Threshold for Receipts](#), 11 March 2008, HC 415 2007-08

<sup>35</sup> Members Estimate Committee, [Review of Members' Allowances: Issues](#), 2 April 2009, HC 464 2007-08

<sup>36</sup> Members Estimate Committee, [Review of Allowances](#), 25 June 2008, HC 578-I 2007-08, Appendix 1

<sup>37</sup> Members Estimate Committee, [Review of Allowances: Papers from the Department of Resources](#), 2 July 2008, HC 578-II 2007-08

### 3.2 Conclusions of the MEC Review

The MEC's *Review of Allowances* was published on 25 June.<sup>38</sup> The MEC recommended an enhanced audit system for Members' expenses, including "a robust new system of practice assurance involving regular financial health checks on records kept and processes used in Members' offices with outside professional teams covering about 25% of Members each year and every Member each Parliament"; changes to the Additional Costs Allowance and its scope, such as no longer funding items on the "John Lewis list" (for example, furniture and household goods); a tightening of the rules on the Communications Allowance and its freezing until 2012; minor changes to travel limits based on constituency size; an increase in the London supplement; changes to the Resettlement Grant; changes recommended by the SSRB to certain other allowances were rejected. The MEC also recommended that constituency offices should be centrally funded. Its recommendations are set out in Appendix 1.

Following the publication of the MEC's *Review of Allowances*, the CSPL responded to an invitation from the Leader of the House to comment on the MEC's report. It issued a letter that its Chairman had sent to the Speaker:

We are not in a position to comment at length on the proposals. We would only want to do that after following our usual practice of taking evidence and hearing the arguments so that such comments can be evidence based.

But we have looked at the broad thrust of the proposals against the set of principles which we suggested earlier. I can say that there are a number of aspects which my committee welcome. In particular we were pleased to see the proposals for a more robust system of audit and assurance, based for the most part on claims backed by receipts, and by the implied acceptance of complete transparency about what is claimed. Taken together, these seem to us to be significant steps towards the establishment of the robust regime that MPs and the taxpayer have the right to expect. We also welcome:

- The separate proposal that would remove from the House the need to determine the level of their own salaries.
- The reforms proposed for the arrangements for paying staff.
- Tightening of other rules, in particular removing the ability to claim under the Additional Costs Allowance for items of furniture assessed against the so-called John Lewis list.
- The fact that your committee has not – as widely predicted in the press - proposed the replacement of the Additional Costs Allowance by an equivalent adjustment to pay (which would have created a major confusion between pay and the reimbursement of expenses).

I do not intend to comment further at this stage. It must be for the House in the first instance to determine whether the proposals are likely to be sufficient to secure the objective of restoring public confidence. We look forward to hearing the debate.

But we note that, as the report acknowledges, the proposals focus on audit and assurance rather than structural change and that they do not address every aspect of the arrangements which have been questioned over the last few months. My Committee will therefore want to continue to monitor the position carefully to see

---

<sup>38</sup> Members Estimate Committee, *Review of Members' Allowances*, HC 578, 2007-08

whether there are in practice continuing public concerns or clear and obvious deficiencies in the new arrangements or in their implementation.<sup>39</sup>

### 3.3 Debate on the MEC Review

The House debated the MEC's *Review of Allowances*, on 3 July 2008, on a motion that would have given effect to the MEC's recommendations (see Box 1). Nick Harvey, who speaks in the House on behalf of the Commission and the MEC, opened the debate. He argued that the debate was taking place in the context of Members needing to "restore the reputation of the House". He continued:

Thus it is that our principal recommendation is that we need a more rigorous system of audit and assurance, possibly going further than the strict requirements that an audit would deem necessary. We need to do this in the interests of trying to restore public confidence in this House.<sup>40</sup>

He went on to outline the Committee's proposals for 'practice assurance' and to briefly review the Committee's other recommendations.

#### **Box 1: Nick Harvey's motion**

##### MEMBERS' EXPENSES

That this House welcomes the Third Report from the Members Estimate Committee: Review of Members Allowances (House of Commons Paper 578); endorses in particular the recognition of the need for a robust system of scrutiny for parliamentary allowances and the accompanying emphasis in the Report on improved audit; and is of the opinion that—

- (1) Recommendations 1-5 (audit and assurance), Recommendations 6 and 7 (scope of overnight expenses), Recommendations 9 and 10 (Communications Allowance), Recommendations 11 and 12 (travel), Recommendations 13 and 14 (overnight expenses), Recommendation 15 (resettlement), and Recommendations 16-18 (other SSRB recommendations) should be implemented, subject to decisions of the Members Estimate Committee with respect to their introduction and application;
- (2) the principle of central funding of constituency office costs, as set out in Recommendation 8, should be approved and asks the Members Estimate Committee to prepare a detailed proposal accordingly;
- (3) the timetable for implementation of the Recommendations set out in paragraph 257 of the Report be endorsed; and instructs the Members Estimate Committee to report from time to time on the implementation of this Resolution.

Harriet Harman, the Leader of the House, introduced a motion that would prevent Members' addresses being published under freedom of information legislation. She then commented on the MEC report:

The Government do not take an official position on the proposals in the MEC report, which is a matter for the House rather than the Government. However, it is right and necessary to have strengthened and independent audit of our expenditure on our offices, travel and accommodation, and that will be a necessary step in regaining the

<sup>39</sup> Committee on Standards in Public Life Press Notice PN215, *MEC Report*, 30 June 2008

<sup>40</sup> HC Deb 3 July 2008 c1096

public confidence that has been so severely dented by the disgraceful actions of a tiny minority of Members. I will support the motion standing in the hon. Gentleman's name and reject the amendments.<sup>41</sup>

For the Conservative Party, Theresa May, the shadow Leader of the House, noted that Members needed allowances to do their jobs properly but she argued that "the approach that has been taken by MPs to the use of taxpayers' money for expenses and allowances has over the years been seen by taxpayers to be secretive and to fail to follow best practice".<sup>42</sup> As chairman of the Members Estimate Audit Committee, she called for changes to the way in which allowances expenditure was audited:

I chair the Audit Committee, which, under various Chairmen, has pressed for proper audit of MPs' claims since 2004, as the MEC report states in paragraph 27. In what other walk of life would it have been possible regularly to claim expenses for £250 a time without a receipt? In short, we have been seriously out of touch and careless of our duty to taxpayers. Members, before they vote on the issue, should have a care and consider the damage that that has done to the House.<sup>43</sup>

When asked about the need for proportionality in audit, she argued that for the House that should go beyond ensuring that money was correctly spent:

I believe that the proportionate response that is needed from this House is the restoration of its reputation and that is what the MEC report provides. That is why I believe that it is important that when hon. Members vote today they should recognise the need to think not just about our individual situations but about the damage that has been done to this House by our failure to adopt best practice in those areas before now. We need to show taxpayers that we have understood the depth of people's concerns and have been willing to respond, to get a grip on the problem and to sort it out. As the report says in its conclusions and recommendations:

"Our over-riding conclusion is that we must introduce a robust system of scrutiny for parliamentary allowances as a matter of urgency in order to build public confidence"<sup>44</sup>

She also told Clive Betts both extra external audit and external assurance were essential and she argued that Don Touhig's amendment would not provide for both:

Amendment (d), in the name of the right hon. Member for Islwyn (Mr. Touhig), proposes a reduced level of assurance and does not incorporate external scrutiny. That is why I believe that it does not go as far as is necessary to ensure that we provide confidence and trust for members of the public. Voting in favour of that amendment, or against the main motion, would be to say to people outside the House that we do not accept that they are concerned, and that we are not prepared to take the steps necessary to improve the House's reputation. If we sent out that message, we would tarnish the House's reputation further. As the hon. Member for North Devon said, that would be catastrophic. Today is our opportunity to restore faith in the House.<sup>45</sup>

Don Touhig, introduced his amendment (see Box 2). He admired what the MEC had done and said that "I hope that those of us who disagree with elements of the report are not going

---

<sup>41</sup> HC Deb 3 July 2008 c1105

<sup>42</sup> HC Deb 3 July 2008 c1106

<sup>43</sup> HC Deb 3 July 2008 c1106

<sup>44</sup> HC Deb 3 July 2008 c1107

<sup>45</sup> HC Deb 3 July 2008 cc1109-1110

to be cast as people who are against reform or transparency". He explained that his amendment was underpinned by the need for robust auditing but argued that it was important to approach audit in the correct way:

My experience on the Public Accounts Committee has taught me that unless auditing is approached in the right way, it can incur such disproportionate cost that, far from safeguarding taxpayers' money, it undermines the purpose of the audit in the first place. The report proposes a system of assurance audit of Members' office cost allowances. That proposal is ill-thought out. From what the hon. Member for North Devon has said, it appears not to be properly costed. There is no evidence that it is needed.<sup>46</sup>

**Box 2: Don Touhig's amendment**

Line 2, leave out from '578)' to end and add 'recognises the need to strengthen the system of scrutiny and is of the opinion that a rigorous internal system of audit of the Additional Costs Allowance be introduced covering 25 per cent. of hon. Members each year, and every hon. Member each Parliament; and is of the opinion that—

(1) Recommendations 5 (staff contracts), 8 (constituency offices), 9 and 10 (communications allowance), 11 and 12 (travel), 14 (overnight expenses), 15 (resettlement), and 16, 17 and 18 (other SSRB recommendations) be approved; and

(2) that Recommendation 5 be implemented from 1st October 2008, that Recommendation 8 be implemented from 1st April 2010, that Recommendations 9 and 10 be implemented from 1st April 2009, that Recommendations 11 and 12 be implemented from 1st April 2009, that Recommendation 14 be implemented from 1st April 2009 and that Recommendation 15 be implemented at the end of the next Parliament.'

Don Touhig's amendment was agreed to by 172 votes to 144.

Another amendment, tabled by John Mann, on the designation of second homes was agreed to without a division:

...at end add—

'(4) any allowance for overnight costs arising from Parliamentary duties in London may not be used for accommodation expenses in respect of a residence designated by an hon. Member as his main residence for tax purposes.'<sup>47</sup>

***The Resolution of the House on Members' Expenses – 3 July 2008***

As a result of the amendments made on 3 July, the Resolution that the House agreed was:

MEMBERS' EXPENSES

That this House welcomes the Third Report from the Members Estimate Committee: Review of Members Allowances (House of Commons Paper 578); recognises the need to strengthen the system of scrutiny and is of the opinion that a rigorous internal system of audit of the Additional Costs Allowance be introduced covering 25 per cent.

<sup>46</sup> HC Deb 3 July 2008 c1113

<sup>47</sup> HC Deb 3 July 2008 c1124

of hon. Members each year, and every hon. Member each Parliament; and is of the opinion that—

(1) Recommendations 5 (staff contracts), 8 (constituency offices), 9 and 10 (communications allowance), 11 and 12 (travel), 14 (overnight expenses), 15 (resettlement), and 16, 17 and 18 (other SSRB recommendations) be approved; and

(2) that Recommendation 5 be implemented from 1st October 2008, that Recommendation 8 be implemented from 1st April 2010, that Recommendations 9 and 10 be implemented from 1st April 2009, that Recommendations 11 and 12 be implemented from 1st April 2009, that Recommendation 14 be implemented from 1st April 2009 and that Recommendation 15 be implemented at the end of the next Parliament.’

(3) any allowance for overnight costs arising from Parliamentary duties in London may not be used for accommodation expenses in respect of a residence designated by an hon. Member as his main residence for tax purposes.<sup>48</sup>

### 3.4 Review of allowances and audit

#### *The need for further debate*

The press coverage of the debate and decisions of 3 July portrayed them as ignoring public concerns about the allowances system. The *Independent* reported that “MPs defied public outcry last night and threw out attempts to curb their generous second home allowances and rejected calls for tough new external audits on their claims;” and the *Daily Telegraph* reported that “MPs defied public anger over their generous regime of taxpayer-funded allowances last night as they threw out reforms designed to restore confidence in the parliamentary expenses system”.<sup>49</sup>

The Conservative Party chose to devote half of an Opposition Day to the issues on 16 July 2008. In opening the debate for the Opposition, Theresa May, the Shadow Leader of the House, explained why her Party considered another debate on Members’ allowances was necessary:

Some hon. Members may wonder why, two weeks after a debate on MPs’ expenses and allowances, we have brought forward another motion on the subject. Two weeks ago, the Commons had the opportunity to put its house in order, to clear its name and to go some way to restoring public confidence in Parliament as a body and hon. Members as individuals. It failed to do so. Members voted to keep the John Lewis list and rejected a system of external auditing. The newspapers, which had welcomed the report from the Members Estimate Committee, were accordingly negative about the vote taken by this House.

[...]

We should not be driven by the media, but we should listen to the views of our constituents. It is incumbent on every Member to understand the depth of feeling on the issue outside the House. The result of the vote on the MEC report has compounded a general lack of respect for politicians.

[...]

---

<sup>48</sup> *Votes and Proceedings*, 3 July 2008, item 18

<sup>49</sup> Ben Russell and Nigel Morris, “Nice work if you can get it: MPs keep their perks”, *Independent*, 4 July 2008; Andrew Porter, “MPs vote to keep ‘John Lewis’ list”, *Daily Telegraph*, 4 July 2008

We believe that the matter is so important that we should not let it rest after the vote on 3 July. I hope that the House will show that, having reflected on its decision on that day, it is now willing to move forward and make the changes needed to restore public confidence. In short, we need to show not only that we recognise the depths to which we have sunk in the public mind, but that we accept our responsibility to do something about it.

We are honourable Members, but our failure to recognise the concern outside the House about our processes and that people expect us to adopt the best practice shown in the private and public sectors, has led to cynicism and, I believe, damage to the reputation of the House, and we need to address that. That is why we have chosen today to show leadership on this issue, to debate the motion to show that Members of Parliament take this seriously and that we are willing to clean up our acts and be deserving of the office that we are privileged enough to hold.<sup>50</sup>

The subject of the debate was not announced until 15 July. In response to this, the Leader of the House issued a written ministerial statement, setting out what had happened since the debate on 3 July and how she intended to take the House's decisions forward.<sup>51</sup>

The Conservative Party tabled the following motion:

That this House recognises growing public concern on expenses and allowances for hon. Members and Members of the European Parliament (MEPs); believes that the minimum requirements for tackling the problem include regular reporting and appropriate auditing of the use of expenses and allowances, the publication of claims made, broken down by type, in relation to each allowance and claimable expense, the publication of the names and salary bands of all relatives employed by hon. Members and the abolition of the so-called John Lewis list; further believes that UK MEPs should abide by the same rules and practices as hon. Members, with particular regard to the repayment of surpluses, published annual statements verified by independent accountants and overseen by a compliance officer, the publication of the names and salary bands of any relative employed and regular reporting of expenses and allowances; and resolves that, notwithstanding its decision of 3rd July, hon. Members should no longer be able to claim reimbursement for furniture and household goods with effect from 1st April 2009.<sup>52</sup>

### ***The debate***

Some Members expressed concern that, by debating the issue of Members' allowances on an Opposition Day, it party-politicised what was a "House matter".<sup>53</sup> However, Peter Atkinson argued that "Anything we do in the House is political";<sup>54</sup> others suggested that the motion tabled by the Opposition was "very party political" and that it had been tabled as a "publicity stunt".<sup>55</sup>

In opening the debate, Theresa May, said that:

The principles of our motion are based on transparency, and it includes a reference to "appropriate auditing". As we discussed on 3 July, auditing is important because it is best practice outside this House, and we should show that we are willing to abide by that. Proposals in the MEC report would have brought this House into line with best

---

<sup>50</sup> HC Deb 16 July 2008 cc255-256

<sup>51</sup> HC Deb 16 July 2008 cc31WS-32WS

<sup>52</sup> HC Deb 16 July 2008 c255

<sup>53</sup> For example, Sir Patrick Cormack (HC Deb 16 July 2008 c256, c284); Douglas Hogg (*Ibid* c257)

<sup>54</sup> HC Deb 16 July 2008 c297

<sup>55</sup> HC Deb 16 July 2008 c300; c286

practice not only in the private sector but elsewhere in the public sector. We need to achieve transparency by publishing a comprehensive breakdown of expenses claims made by Members to prove that we are using public money correctly.<sup>56</sup>

She noted that the Conservative Party would be publishing “right-to-know” forms that day.<sup>57</sup> The Conservative Party had announced that all its frontbench team would be required to complete these forms in February 2008.<sup>58</sup>

In her reply, the Leader of the House, Harriet Harman, accepted that the starting point of the debate was “the health of our democracy”. She continued by arguing that in order to their job effectively Members of Parliament needed “a good team of staff” and resources to fulfil the expectations of constituents.<sup>59</sup> She expanded on the written ministerial statement that she had tabled earlier in the day by setting out the steps that she had taken to implement the House’s decisions of 3 July and her plans to consult Members on her plans.<sup>60</sup> For further details of the written ministerial statement, see section 3.5.

Simon Hughes, for the Liberal Democrats, welcomed the debate. He summarised what had happened on 3 July 2008, and argued that Members had rejected plans from the MEC to audit all their expenses in favour of an internal audit of only the Additional Costs Allowance.<sup>61</sup> He also confirmed that:

The day after the vote, my right hon. Friend the Member for Sheffield, Hallam announced that we would implement for ourselves the MEC proposals. We will have spot checks for all Liberal Democrat MPs. We will have independent auditing of our expenses. Every one of our shadow Cabinet members will publish all their expenses, as my right hon. Friend has done, and as Conservative Front Benchers will do. Ours will be published by next Tuesday so that people can look at them, and they will be published on a regular basis thereafter.<sup>62</sup>

On 4 July 2008, Nick Clegg, the Leader of the Liberal Democrats, announced that he had “committed to unilaterally introduce the recommendations of the Members Estimates Committee for independent spot checks of MPs expenses”.<sup>63</sup>

During the course of the debate, Sir Stuart Bell and David Maclean, both members of the MEC, expressed regret that the House had rejected some of the MEC’s proposals.<sup>64</sup> David Maclean commented on some of the reasons that the proposals were not accepted:

... in some ways the Government are now trying to unscramble what we agreed a few weeks ago in order to create a tough, rigorous audit assurance system. We proposed that in recommendations 1 and 2, but we had not spelled out what we meant by practice assurance, and that scared a lot of colleagues, and colleagues also rightly questioned the cost. Given more time, I think we could have come up with more accurate costs, and I hope that it would have been less than £1,500 per person per

---

<sup>56</sup> HC Deb 16 July 2008 c261

<sup>57</sup> HC Deb 16 July 2008 c260

<sup>58</sup> Further details of that announcement are provided in the House of Commons Library Research Paper RP 08/31, *Parliamentary pay, allowances and pensions*, 31 March 2008, p26. The “Right-to-Know” forms were published with the following press notice: Conservative Party News, *MPs’ expenses published*, 16 July 2008

<sup>59</sup> HC Deb 16 July 2008 c268

<sup>60</sup> HC Deb 16 July 2008 cc271-273

<sup>61</sup> HC Deb 16 July 2008 cc273-275

<sup>62</sup> HC Deb 16 July 2008 c279

<sup>63</sup> Liberal Democrats News, *Clegg to implement MEC proposals on MPs’ expenses*, 4 July 2008

<sup>64</sup> HC Deb 16 July 2008 cc280-283; 289-293

day around the offices. That argument has now been lost, however ... It is now up to the Government to make the NAO proposals work.<sup>65</sup>

### ***Members' allowances – decision of 16 July***

At the end of the debate, the House rejected the Conservative motion by 295 votes to 238.<sup>66</sup> The Government's amendment was put forthwith and agreed to without another division. The House resolved that:

That this House recognises growing public concern on expenses and allowances for hon. Members and Members of the European Parliament (MEPs); believes that all British Members of the European Parliament (MEPs) should follow all the open and transparent procedures voluntarily adopted by Labour MEPs; further to debate in the House on 3rd July on the control and audit of the public money spent by hon. Members carrying out their duties, further believes that there should be a re-writing of the Green Book by the Advisory Panel on Members' Allowances, augmented by two independent external appointees; further believes that the Panel should keep the Green Book under review and advise on any further modifications, including in relation to reimbursement of reasonable costs of a second residence, to include abolition of the so-called John Lewis list; and further believes that an external financial audit by the National Audit Office, covering all the allowances in the Green Book, should include the rules and guidance on what is and what is not acceptable under the rules, the management controls and processes used by the Department of Resources to ensure compliance with the rules, and the checks and testing of the controls to ensure that they are adequate and effective.<sup>67</sup>

On 16 July 2008, the House referred the rewriting of the Green Book to the APMA. However, the APMA only had the authority to advise the MEC. At its meeting on 21 July 2008, the MEC confirmed that "any changes to the Green Book brought forward by the Advisory Panel on Members Allowances would have to be considered by the MEC before implementation".<sup>68</sup>

Whilst the APMA was considering revisions to the Green Book, the MEC asked the Members Estimate Audit Committee to "make proposals on the future role of the National Audit Office as the external auditor of the House of Commons and the House of Commons' own Internal Audit service in providing audit and assurance of spending on the Members' allowances".<sup>69</sup>

### **3.5 Next steps**

#### ***Implementing the decision of 3 July: consultation on Members' allowances***

Harriet Harman, the Leader of the House of Commons, tabled a written ministerial statement on "MPs' allowances" on 16 July 2008,<sup>70</sup> the day of the Opposition Day debate. In that statement, she said that:

... it is my responsibility to consider how we put the will of the House of Commons into effect. That means both implementing the resolutions of 3 July 2008, and also considering how we can build on the clearly expressed view of the House that we need to do more to ensure that the rules are clear and properly enforced so that

---

<sup>65</sup> HC Deb 16 July 2008 c290

<sup>66</sup> HC Deb 16 July 2008 cc311-314

<sup>67</sup> HC Deb 16 July 2008 cc314-315

<sup>68</sup> House of Commons Commission, *Formal Minutes*, 21 July 2008,

<sup>69</sup> Members Estimate Committee, *Revised Green Book and audit of Members' allowances*, 15 January 2009, HC 142 2008-09, Annex 3, para 1

<sup>70</sup> HC Deb 16 July 2008 cc31WS-32WS

we protect public money; and

we protect the reputation of the House.

After reviewing the decisions that the House took on 3 July 2008, she reported that she had met with the chairman of the CSPL and with the Comptroller and Auditor General. She then announced that:

In order to put into effect these changes and to build on the determination of the House to protect public money from abuse and to justify confidence in expenditure on MPs' allowances, I intend to consult on further steps to improve financial control and audit.

In her written ministerial statement, she set out the key elements of the consultation as:

- The role of the APMA in the re-writing of the Green Book; and
- External financial audit of Members' claims and a review of the rules, systems, and controls operated by the Department of Resources by the NAO.

The NAO's financial audit would include:

the rules and guidance as to what is and what is not acceptable under the rules;

the management controls and processes used by the Department of Resources to ensure compliance with the rules; and

checks and testing of the controls, to ensure that they are adequate and effective.

She proposed that the NAO should report to the Members Estimate Audit Committee.<sup>71</sup>

During the course of the debate on 16 July 2008, the Leader of the House commented further on the consultation document and announced that she expected to issue it "shortly", as "It would be appropriate for us to have concluded our work before the publication of the green book on hon. Members' expenses in the autumn".<sup>72</sup> She also indicated that the consultation would not be completed over the summer recess:

**Mr. David Hamilton (Midlothian) (Lab):** May I bring us back to a housekeeping issue? The consultation will take place for nearly three months over the House of Commons recess, so will the Leader of the House ensure that there is a dialogue, and that people can be contacted to try to clarify any points during the recess? That is a simple matter of housekeeping.

**Ms Harman:** My hon. Friend makes an important point. I want to reassure people that when the House returns after the recess, there will be an opportunity to consider the proposals further.<sup>73</sup>

The consultation document, *Audit and Assurance of MPs' Allowances*, was published on 5 August 2008.<sup>74</sup> The document was addressed to "All Members of the House of Commons";

---

<sup>71</sup> HC Deb 16 July 2008 cc31WS-32WS

<sup>72</sup> HC Deb 16 July 2008 cc271-272

<sup>73</sup> HC Deb 16 July 2008 c273

<sup>74</sup> Office of the leader of the House of Commons, *Audit and Assurance of MPs' Allowances*, August 2008, Cm 7460

and the Leader and Deputy Leader of the House of Commons asked for “Members’ views on these measures and comments are sought by 29 September”.<sup>75</sup>

The consultation document, as indicated in the written ministerial statement of 16 July 2008, sought views on the role of the APMA in redrafting the Green Book; and on the NAO’s audit of allowances. In addition, the question of Members’ employing their children was raised.<sup>76</sup>

The consultation document was accompanied by a press notice *Consultation on proposals for the audit and assurance of MPs’ allowances gets under way*.<sup>77</sup>

## 4 Revisions to the Green Book and the review of audit and assurance (January 2009)

### 4.1 The Members Estimate Committee Report

On 15 January 2009, the MEC’s report, *Revised Green Book and audit of Members’ allowances*, was published.<sup>78</sup> The MEC reported that “APMA has now completed its work, and we are grateful for the draft it provided”. The MEC reported that it had made some changes to the APMA’s proposals for resolving disputes. The MEC also considered recent recommendations from the Committee on Standards and Privileges on stationery (see Box 3), and included a section in the revised Green Book on stationery. It commended the revised Green Book to the House.<sup>79</sup> (A brief overview is given in section 4.2.)

Following the House’s decisions on allowances in July 2008, in October 2008, the MEC asked the Members Estimate Audit Committee (MEAC) “to make proposals on the future role of the National Audit Office and the House’s internal audit and assurance of spending on Members’ allowances”. The MEAC’s report was annexed to the MEC’s report (see section 4.3 for a brief review of MEAC’s review): the MEC endorsed its recommendations.<sup>80</sup>

The MEC made two further recommendations in its report. It identified the need for a “mechanism for resolving disagreements about what expenditure is allowable under the rules and setting precedents for future claims”. The MEC decided that these two functions should be separate. It noted that the APMA already advised on what the rules should be but it recommended a role for the Finance and Services Committee in interpreting the rules:

We recommend that, for disputes over what is an acceptable claim which cannot be resolved between officials and the Member concerned, the Member should be able to ask the Finance and Services Committee to rule, and should have the option of appealing to the Members Estimate Committee.<sup>81</sup>

The MEC noted that the revised Green Book “does not offer sufficient precision and detail to provide the basis for full-scope audit”. It said that the Green Book should be supplemented with practice notes which “give Members and the Department of Resources a clear basis on which to operate the allowances system”. It said that a mechanism to approve these notes would be required and it recommended that they should be submitted to the Finance and

---

<sup>75</sup> *Ibid*, Foreword, pp3-4

<sup>76</sup> *Ibid*, paras 66-70

<sup>77</sup> Office of the Leader of the House of Commons News Release, [Consultation on proposals for the audit and assurance of MPs’ allowances gets under way](#), 5 August 2008

<sup>78</sup> Members Estimate Committee, [Revised Green Book and audit of Members’ allowances](#), 15 January 2009, HC 142 2008-09

<sup>79</sup> *Ibid*, para 2

<sup>80</sup> *Ibid*, para 4

<sup>81</sup> *Ibid*, para 5

Services Committee for approval.<sup>82</sup> This procedure was detailed in the revised Green Book, published as an Annex to the MEC's report, which stated:

The Finance and Services Committee will agree Practice Notes which will be used by the Department in administering the rules. These may be on general matters, or on matters arising from particular cases. Practice Notes will be published.<sup>83</sup>

The MEC noted that if the House approved the revised Green Book, a number of changes would need to be made to the House's existing resolutions on Members' allowances.<sup>84</sup>

**Box 3: Use of pre-paid envelopes and official stationery**

In November 2008, the Committee on Standards and Privileges published a short report on *Use of pre-paid envelopes and official stationery*. The Committee considered a number of issues relating to the use of House of Commons pre-paid envelopes and of stationery bearing the official symbol of Parliament, the crowned portcullis.

The Committee considered restrictions on party political or campaigning material and arrangements for advising Members on stationery and communications.

It drew distinctions between proactive and reactive correspondence; as well as setting out the Parliamentary Commissioner for Standards' views on the subject, in an appendix, it drew on his views in its report.

The Committee argued that there should not be a ban on Members using party political references in communications funded by the House but that "The test of acceptability for such comments when made in communications funded from Parliamentary allowances should be whether any party political reference is necessary to an understanding of the issue".<sup>85</sup>

## 4.2 The revised Green Book

The revised Green Book was published as an Annex to the MEC's report *Revised Green Book and audit of Members' allowances*.

Part I of the revised Green Book was entitled "Principles Governing Members Allowances": it described the "governance of the allowances; the "fundamental principles"; and "applying the principles". Part II described the allowances and for each of the main allowances and set out:

- The purpose of the allowance;
- Eligibility;
- Examples of appropriate expenditure;
- Issues needing particular attention
- Documentation required; and
- How the allowance works in practice.

In Parts III and IV, the revised Green Book provided additional information, such as rules on transferring funds between allowances and between financial years; taxation issues; contact

---

<sup>82</sup> *Ibid*, para 6

<sup>83</sup> *Ibid*, Annex 1 [Revised Green Book], p7

<sup>84</sup> *Ibid*, para 3

<sup>85</sup> Committee on Standards and Privileges, *Use of pre-paid envelopes and official stationery*, 27 November 2008, HC 1211 2007-07, para 7

information for advice from the Department of Resources; and definitions of terms used in the Green Book.

The revised Green Book is more principles-oriented than rules-based. The APMA's rewriting of the Green Book took place alongside the MEAC's review of the audit and assurance of allowances. The MEAC commented in its report that "We consider it likely that the APMA proposals for the revision of the Green Book will have implications for the audit and assurance system we are recommending".<sup>86</sup>

On 3 March 2009, because the House had decided to establish the Committee on Members' Allowances, in place of the APMA, on 22 January, further changes to the Green Book were brought forward. On 3 March, the House agreed to a motion which replaced references to the APMA and to the Finance and Services Committee in the Green Book (approved on 22 January) with references to the Committee on Members' Allowances and expanded its remit to include the functions previously given to the Finance and Services Committee.<sup>87</sup> (The establishment of the Committee on Members' Allowances is discussed in section 4.5.)

On 30 April 2009, the House gave the MEC the power to amend the Green Book.<sup>88</sup> The MEC agreed changes to the Green Book on 20 May 2009 (see section 7).

### 4.3 Members' allowances: audit and assurance

The MEAC noted that its review followed the decisions of the House, of July 2008, on Members' allowances. The MEAC believed that the House's decisions "reflected some lack of clarity about the role of audit and assurance". After setting out definitions of both audit and assurance and briefly reviewing the way in which Members' allowances were audited at the time the MEAC prepared its report, it "started from first principles to recommend a comprehensive system of audit and assurance".<sup>89</sup>

The MEAC concluded that the system ought to be "proportionate and 'risk-based'". Consequently, it reviewed some of the decisions that the House took in July 2008. It argued that a receipt threshold of zero for allowance claims "would not add significantly to the assurance which could be gained in relation to spending on Members' allowances" and it considered that a £25 threshold was "a sensible way forward".<sup>90</sup> It also argued that specifying the audit of a fixed percentage of claims or claimants each year did not fit with a risk-based approach.<sup>91</sup>

The MEAC proposed that the system should include:

- External audit (to be carried out by the National Audit Office);
- Internal audit (to be carried out by the House's Internal Audit unit advised by its strategic external partner);
- Operational assurance (to be provided by a separate unit within the House's Department of Resources) and
- Oversight by the Members Estimate Audit Committee.

---

<sup>86</sup> Members Estimate Committee, *Revised Green Book and audit of Members' allowances*, 15 January 2009, HC 142 2008-09, Annex 3 [MEAC Report], p43, para 11

<sup>87</sup> HC Deb 3 March 2009 c818

<sup>88</sup> HC Deb 30 April 2009 c1142

<sup>89</sup> Members Estimate Committee, *Revised Green Book and audit of Members' allowances*, 15 January 2009, HC 142 2008-09, Annex 3 [MEAC Report], p42, para 8

<sup>90</sup> *Ibid*, p45, paras 18-19

<sup>91</sup> *Ibid*, pp47-48, para 29

The MEAC also recommended that the current limitations on the audit of Members' allowances undertaken by the NAO should be removed and that the NAO should be able to undertake a full-scope audit. This would allow the NAO to "go behind the Member's signature"; that is, "looking at adequate supporting evidence submitted by Members with their claims to be paid, rather than relying on the Member's signature as a guarantee of the validity of the transaction".<sup>92</sup>

#### 4.4 Adopting the revised Green Book

A motion to approve the revisions to the Green Book, to bring the rules it set out into effect from 1 April 2009, and to give the MEC the authority to review and modify resolutions of the House consistent with the Green Book was tabled by Harriet Harman, the Leader of the House:

##### MEMBERS' ALLOWANCES (GREEN BOOK)

Ms Harriet Harman

That this House approves the Guide to Members' Allowances (the Green Book), published as Annex 1 to the First Report of the House of Commons Members Estimate Committee (House of Commons Paper No. 142) and endorses the Principles set out in Part 1 of the Green Book as the basis for all claims made by Members;

That the rules set out in the Green Book shall govern all expenditure on Members' allowances with respect to all claims for expenditure arising on or after 1 April 2009;

That the Members Estimate Committee shall carry out a review of the provisions of the resolutions of this House relating to such expenditure, make such modifications to them as are necessary to ensure that they are consistent with the provisions in the Green Book, and report to the House; and

That this House thanks Ms Kay Carberry CBE, nominated by the Trades Union Congress, and Mr Keith Bradford, nominated by the Confederation of British Industry, for having acted as the Speaker's external appointees to the Advisory Panel on Members' Allowances.

A separate motion to approve the report on audit and assurance from the MEAC was also tabled:

##### MEMBERS' ALLOWANCES (AUDIT AND ASSURANCE)

Ms Harriet Harman

That this House approves the arrangements for the audit and assurance of Members' allowances set out in the report of the Members Estimate Audit Committee to the House of Commons Members Estimate Committee, published as Annex 3 to the First Report of the House of Commons Members Estimate Committee (House of Commons Paper No. 142).

These motions were debated on 22 January 2009, along with motions to revise the House's publication scheme, for information on Members' allowances, and to establish the Committee on Members' Allowance.

---

<sup>92</sup> *Ibid*, p45 and p43, para 22 and para 16

## 4.5 Debate

The Government had also intended to ask the House to approve the draft *Freedom of Information (Parliament) Order*, which would have exempted information on Members' and peers' expenses from the scope of the *Freedom of Information Act 2000*, on the same day. However, the draft Order was withdrawn on 21 January 2009.<sup>93</sup>

In opening the debate, the Leader of the House, identified three problems in relation to allowances that needed to be addressed:

... We need to address the problem that the rules are not clear enough; we need to address the problem that audit is not robust enough; and we need to address the problem that not enough information is published.

She continued by saying that “The propositions that we have put before the House today address each of those problems”.<sup>94</sup> Later in her speech, she set out how each of these problems had been addressed:

If we pass the motion endorsing the new Green Book, we shall have a clear set of reasonable rules for the payment of allowances.<sup>95</sup>

On the question of audit she said that:

The second issue is the proper enforcement of the rules. It requires robust audit, and that is the subject of a motion that will provide for what is described as “full scope” audit, on the same basis that applies to other public bodies. This will be the first occasion on which the House has been subject to full scope audit.

... The NAO [National Audit Office] will be in a position to carry out “full scope” audit because, as well as clear rules in the Green Book, there will be a requirement for no claim save those under £25 to be met unless it is submitted with a receipt or other evidence confirming the transaction.<sup>96</sup>

On the question of placing information before the public, she said:

The third principle is that, over and above the clear rules and robust audit, the public should know who is spending, how much and on what. The motion before the House would effect a publication scheme that would put into the public domain more information than has hitherto been published, and in a form that is consistent year on year and comprehensible to the public. Until now, we have published information about expenses broken down into 14 categories. This motion would lead to publishing information in greater detail and in 26 categories. For example, the House authorities currently publish a single figure for “office running costs”, but under the proposed publication scheme, the House authorities will publish the information broken down into accommodation for offices and surgeries, “office equipment and supplies”, phones, “professional fees and charges”, “agency and other staff costs”, travel costs and utilities. So the single figure would be broken down into seven detailed categories for every Member for every year. In addition, the Government proposed that the existing Advisory Panel on Members' Allowances should be replaced by a Committee on Members' Allowances that would be a committee of the House. In response to a

---

<sup>93</sup> House of Commons, *Votes and Proceedings*, 21 January 2009, Appendix, Item 11

<sup>94</sup> HC Deb 22 January 2009 c917

<sup>95</sup> *Ibid*

<sup>96</sup> *Ibid*

question about whether, like the APMA, the new committee would be able to have external members on it, the Leader of the House explained that it would not.<sup>97</sup>

She also gave some details on how the Committee on Members' Allowances might work:

If we make APMA a Committee of this House, only Members of this House will be able to be members of that Committee; external, independent people will not be able to be full members of the Committee. The proposal is that those who have served so well as independent members of APMA will be advisers to the Committee on Members' Allowances. I can say that the CAM will have no Government Members on it. APMA had members of the Government on it, but the CAM will not have a Government Member on it, and nor will it have a Government majority—it will not be constructed as Select and Standing Committees are, with a Government majority. Therefore, I think we have the right level of independent input and the right reassurances for the future.<sup>98</sup>

Alan Duncan, for the Conservative Party, welcomed the proposals before the House. He said that "There is a lot of good sense in the motions—they are a good advance". He welcomed the increase in the information on allowances that would be published automatically, under the publication scheme. He continued:

There is another good element to the motions that will change the whole climate of freedom of information. Through these motions, the House is properly introducing a thorough regime for audit and assurance. That point is crucial. There will be a full and proper external audit of what we do ... There is also an enhanced assurance scheme in the Department of Resources that can give clear guidance and allows for spot checks and much more rigorous scrutiny than before.

One little vexed issue remains that can continue to be a bit of a gift to a journalist who wants to write a story: the £25 limit below which we do not need to offer a receipt—but that limit was advised by outside auditors and scrutineers. It is not something that all of us say that we must have because we want to keep a bit of flexibility so that we can keep the cash coming in on the sly. The limit is just a simple matter of efficiency, ensuring that the proper regime that we have put in place does not have a disproportionate cost attached. Basically, the rule now is that more or less everything will need a receipt and be subject to audit, and that hon. Members can claim only for expenses that qualify fully under the allowances that are in place.

In addition, there is going to be a new Committee on Members' Allowances. The hon. Member for Cannock Chase (Dr. Wright) asked whether that would be much of an improvement, but I repeat that I think that it will be. Because of private, cosy advice offered in secret behind closed doors, the Committee will be akin to a full Select Committee. It will meet and take evidence in public and, because it is a Select Committee, it will be made up of Members of the House, as the Leader of the House said. However, its proceedings will be so clear and transparent that the advice that it is given will also be open, and so the advice that it is likely to give to the House will, with any luck, be well founded, sensible and properly understood. The Committee will advise on what is going on, and on what should go on, in full public view. I think that that is a good step. Furthermore, there is the new Green Book which, as the Leader of the House said, is tighter, simpler and clearer. I think that all hon. Members will want it to be adopted.<sup>99</sup>

---

<sup>97</sup> *Ibid* c919

<sup>98</sup> HC Deb 22 January 2009 cc918-919

<sup>99</sup> HC Deb 22 January 2009 cc931-932

David Heath was “pleased” with the proposals on audit. He queried whether the new publication scheme would be trumped by the Information Tribunal’s decision that information on Members’ allowances had to be release to receipt level. He thought that the House should support the new Green Book.<sup>100</sup>

Sir George Young, speaking as Chairman of the Committee on Standards and Privileges, commented that “I think that the revised audit proposals can increase public confidence in how taxpayers’ money is spent”. However, he queried the interaction between the Committee on Members’ Allowances and his Committee. He commented that:

I want to refer to an issue touched on by the Leader of the House—the need to ensure that the role of the Parliamentary Commissioner for Standards, who is an independent Officer of the House, and the role of the Committee to which he reports are not prejudiced by the dispute resolution procedure proposed in the report. Paragraph 5 of the introduction to the report before the House makes no reference to the role of either body in determining whether expenditure is allowable, and the resolution before the House gives that task to the Committee on Members’ Allowances. It could therefore be possible for two Select Committees of this House to come to a different view on whether the rules have been broken. That would not be a good outcome.<sup>101</sup>

Later, he noted that:

In paragraph 6, there is a reference to practice notes. Those will be important, and I hope that the commissioner and my Committee might be included in the consultation on these, as we have some corporate knowledge of operating them. For example, the practice notes on what is a main home may need to take account of past cases where lack of clarity has caused difficulties. The new Committee on Members’ Allowances is given the role of keeping the rules under review, but the parliamentary commissioner has a similar obligation under Standing Order No. 150, as has my Committee under Standing Order No. 149. We have a view on the content, interpretation and propriety of the rules, but the new Committee is given a similar responsibility. Again, we will need to work closely together to avoid duplication; I am sure that with good will that can be done.<sup>102</sup>

All four motions were agreed to without a division.<sup>103</sup>

### ***Publication of information on Members’ allowances***

Both the revised Green Book and the MEAC report on audit and assurance noted the interaction between freedom of information and assurance in relation to allowances. The revised Green Book, in the section on “applying the principles” suggested that a question that would assist Members in deciding whether claims were appropriate is:

How comfortable do I feel with the knowledge that my claim will be available to the public under Freedom of Information?<sup>104</sup>

The MEAC commented that:

---

<sup>100</sup> HC Deb 22 January 2009 cc933-939

<sup>101</sup> HC Deb 22 January 2009 c943

<sup>102</sup> HC Deb 22 January 2009 c944

<sup>103</sup> HC Deb 22 January 2009 cc969-970

<sup>104</sup> Members Estimate Committee, *Revised Green Book and audit of Members’ allowances*, 15 January 2009, HC 142 2008-09, Annex 1 [Revised Green Book], p8

Another way in which the public may be reassured is through the increased transparency created by the publication of information on Members' allowances under the Freedom of Information Act 2000.<sup>105</sup>

As noted above, the House agreed to the widened publication scheme, without a division, and a copy of the resolution is set out in Appendix 2.

### ***Committee on Members' Allowances***

At Business Questions on 13 November 2008, the Leader of the House was asked if there were any plans to make the APMA a formal committee of the House. She gave the following response:

**Ms Harman:** I am not aware of a formal proposal from the Advisory Panel on Members' Allowances that it should be made a Committee of the House rather than being advisory to the Speaker, but if it did make such a proposal, it would no doubt be considered by the House and above all by the Speaker.<sup>106</sup>

When the motion on the revised Green Book was tabled, a motion to create a new Committee on Members' Allowances to replace the APMA was tabled by Harriet Harman. The motion provided for a new Standing Order and gave the new committee the following role:

There shall be a select committee, called the Committee on Members' Allowances,

(a) to advise the House of Commons Members Estimate Committee on the discharge of its functions; and

(b) to advise the Speaker, the Members Estimate Committee and the Leader of the House on the potential development of the arrangements made by or under the Resolutions in force from time to time regarding Members' allowances &c;

The House agreed the motion, without a division.<sup>107</sup> The debate is briefly reviewed above. However, towards the end of the debate Sir Michael Spicer, the chairman of the Conservative 1922 Committee, raised a matter relating to the Committee on Members' Allowances. He queried whether the Finance and Services Committee was the appropriate Committee to undertake the appeals task:

My first question concerns an appeal by a Member under the Green Book rules when he finds himself in disagreement with the finance officers. I very much approve of the Green Book—in fact, I am bound to do so, because I helped to draft some of it—which says:

“If the issue is not resolved, the Member may ask the Finance and Services Committee to rule.”

The Finance and Services Committee does not meet very often at the moment. I do not think that its Chairman particularly wants the onerous task that would be involved. Certainly, the 1922 committee and I believe very much that a Committee on Members' Allowances would be the right Committee to undertake that appeals task. I think that I am right in saying that the Government agree with that but have not so far found it possible to amend the Green Book to accommodate that view. I think that things were

---

<sup>105</sup> Members Estimate Committee, *Revised Green Book and audit of Members' allowances*, 15 January 2009, HC 142 2008-09, Annex 3 [MEAC Report], p52, para 39

<sup>106</sup> HC Deb 13 November 2008 c955

<sup>107</sup> HC Deb 22 January 2009 c970

done in a bit of a hurry; those words were included to fill the gap. I hope that the Minister might be able to say something about that in his reply. I realise that he may be in some difficulty at the moment, because he may not have a settled policy on the mechanism, but would he tell us whether the Government intend to do that and, if so, how it is to be done and when—or at least let us know at a later date? I just wanted to flag up that issue.<sup>108</sup>

In his winding up speech, Chris Bryant, the Deputy Leader of the House, responded to Sir Michael Spicer's question:

... As the chairman of the 1922 committee said, the Green Book states, as the Members Estimate Committee agreed, that appeals should go to the Finance and Services Committee. There is a slight element of uncertainty because the Members Estimate Committee relates to the members' estimate, which includes members' allowances, whereas the Finance and Services Committee has always referred to the administration estimate, which is different. We may want to revert to the subject, but we are not trying to change that today.<sup>109</sup>

On 3 March 2009, the House amended the Standing Order on the Committee on Members' Allowances to enable it to take on the functions relating to practice notes and appeals that the MEC had originally proposed for the Finance and Services Committee. The Deputy Leader of the House, explained the need for the change:

Motion 16 amends the new Green Book that the House agreed on 22 January in one regard. The Green Book specifies that Department of Resources staff have the authority to administer the rules as set out in the Green Book, but that if any issue is unresolved

“the Member may ask the Finance and Services Committee to rule”.

It also says that the Finance and Services Committee

“will agree Practice Notes which will be used by the Department in administering the rules”.

In the debate on 22 January, the Chairman of the 1922 Committee, the hon. Member for West Worcestershire (Sir Michael Spicer), who is not in his place at present, asked whether this should not be altered in the light of the fact that on that same day we changed the Advisory Panel on Members' Allowances into a formal Committee of the House, with a clear remit to look at every aspect of Members' allowances.

On reflection, I believe that the Chairman of the 1922 Committee was right, for two reasons. First, as hon. Members will know, although the House of Commons Commission, chaired by the Speaker, is the overall supervisory body for the administration of the House, the House's expenditure is divided between two accounts, or estimates—to use the parliamentary jargon. The first, the Administration Estimate, covers the costs of administration of the House. The second, the Members Estimate, covers MPs' pay and allowances. Our Standing Orders state that the Finance and Services Committee oversees the Administration estimate and that the Members Estimate Committee oversees, naturally enough, the Members Estimate. As the Finance and Services Committee has no remit under Standing Orders to look at the Members Estimate, which includes allowances, it seems wrong for it to have this new role in adjudicating on issue relating to Members' allowances.

---

<sup>108</sup> HC Deb 22 January 2009 c961

<sup>109</sup> HC Deb 22 January 2009 c969

Secondly, having just created the new Committee on Members' Allowances, it clearly makes sense to give it the full responsibility for these issues, and that is precisely what motion 16 does. That in no respect alters the duties, powers or responsibilities of the Committee on Standards and Privileges, nor of the Parliamentary Commissioner for Standards as set out in our Standing Orders. I hope that the Chairman of the Committee on Standards and Privileges will be content that the relationship between the two Committees will not leave hon. Members open to double jeopardy, or lead to the danger that the House cannot administer its discipline properly.<sup>110</sup>

The responsibilities of the MEC and CMA, as set out in standing orders are set out in Appendix 3.

## **5 Committee on Standards in Public Life Inquiry into MPs' allowances (announced March 2009)**

The Committee on Standards in Public Life (CSPL) is an independent public body which advises government on ethical standards across the whole of public life in the UK. The Committee is free to choose subjects of inquiry, but only after consultation with the Cabinet Secretary, on behalf of the Prime Minister (to whom the Committee reports).<sup>111</sup>

In February 2008, just after the launch of the MEC's review, the CSPL was urged to undertake its own inquiry into Members' allowances. Although the CSPL did not rule out an inquiry at that time, the Chairman's expectation was that "we will want to be clearer about the nature and possible outcome of the various Parliamentary and political Party initiatives announced over the last few days before making a decision".<sup>112</sup>

As noted above, the CSPL welcomed many aspects of the MEC's *Review of Allowances*. However, as also recorded above, the House did not approve the MEC's Review in its entirety, and it was suggested that the CSPL would undertake an inquiry of its own. On 21 July 2008, the *Daily Telegraph* reported that the CSPL "plans to open its own investigation into MPs' perks", as changes agreed by the House on 16 July "did not go far enough for the committee chaired by Sir Christopher Kelly".<sup>113</sup>

But on 28 July 2008, the CSPL issued a press notice, in which it announced that it had decided to postpone a decision on whether to conduct a review of MPs' pay and allowances until next year:

The Committee on Standards in Public Life has decided to postpone a decision on whether to conduct a review of MPs' pay and allowances until next year, to give time to see how new arrangements announced recently affect the position. The Chairman of the Committee, Sir Christopher Kelly, said:

"The Committee on Standards in Public Life has been monitoring developments on MPs' allowances over the last few months following widespread public concern about the current arrangement. We have noted the recent vote in the House of Commons accepting Government proposals for a more robust system of external audit of expenses claims to be conducted by the National Audit Office and a review of the

---

<sup>110</sup> HC Deb 3 March 2009 cc807-808

<sup>111</sup> Public Administration Select Committee, *ethics and Standards: The Regulation of Conduct in Public Life*, Volume II, 29 April 2007, HC 121 II 2006-07, Memorandum from the Committee on Standards in Public Life, Ev 104

<sup>112</sup> Committee on Standards in Public Life News release, *MPs' Pay and Allowances – Correspondence between Dr Tony Wright MP and Sir Christopher Kelly KCB*, 7 February 2008

<sup>113</sup> James Kirkup, "MPs face official expenses inquiry", *Daily Telegraph*, 21 July 2008

Green Book which sets out the allowances and entitlement to them. We have been assured that the audit will cover all relevant areas including a sampling of allowance transactions and that the review will be both comprehensive and involve independent people from outside the House of Commons. We recognise these as potentially significant developments – particularly when also taking into account progress towards greater transparency about what is claimed by individual Members.

“There remains a case in our view for a fresh and independent look at the complete picture of how MPs should be supported in a modern system, looking both at what the public expect from their MPs and how they are resourced to meet those expectations. The step by step approach that has been taken to reform, important though some of those steps are, may still fall short of creating a system which succeeds simultaneously in:

- Providing MPs with the resources and reimbursed expenses necessary to enable them to do their jobs effectively;
- Giving them adequate protection against unjustified accusations of impropriety;
- Providing a fully transparent system in which it is clear how taxpayers’ money is being spent;
- Proving to be sustainable; and
- Restoring public confidence.

“But we recognise the importance of the steps now being taken. We do not want to duplicate that work; and we do want to see how successfully the new proposals are implemented in practice.

“So we have decided to take a pragmatic approach and defer a decision about whether to launch an inquiry until next year. Whether we do begin an inquiry then, and if so whether it takes the form of a relatively simple stock take or a more in depth review, will depend on developments over the next 12 months or so.

“In the meantime we will be announcing the subject of our next inquiry early in the autumn.”<sup>114</sup>

In February 2009, the BBC reported that after a discussion with the Leader of the House of Commons, the CSPL had decided not to investigate Members’ allowances.<sup>115</sup>

Then, on 23 March 2009, the CSPL announced that it would “be undertaking a wide-ranging review of MPs’ allowances later this year”.<sup>116</sup>

Press articles about the CSPL’s decision also reported that the Prime Minister had asked the Committee to consider whether Members should have second jobs.<sup>117</sup>

Before the Committee announced its inquiry on 23 March 2009, it wrote to Sir Gus O’Donnell, the Cabinet Secretary (on 3 March), “to consult as is customary over our proposal to carry out an inquiry into MPs’ Allowances”.<sup>118</sup>

---

<sup>114</sup> Committee on Standards in Public Life press notice PN216, *MPs’ pay and allowances*, 28 July 2008

<sup>115</sup> BBC News, *MPs’ expenses probe is ruled out*, 4 February 2009,

<sup>116</sup> Committee on Standards in Public Life press notice, *Committee on Standards in Public Life to look at MPs’ allowances*, 23 March 2009 [*last viewed 24 March 2009*]

<sup>117</sup> For example, Andrew Porter, “MPS face public inquiry into their expenses”, *Daily Telegraph*, 24 May 2009

The CSPL published a letter from the Prime Minister, in response to its letter to Sir Gus O'Donnell on 23 March, the day it announced its inquiry.<sup>119</sup> The Prime Minister noted that the SSRB had already been asked to review Members' pensions before welcoming the CSPL's planned inquiry:

Notwithstanding all this work, I would welcome a review of MPs' support and remuneration, including outside interests, carried out by the Committee on Standards in Public Life as it offers the opportunity to consider the full picture. For example, you will have greater freedom to consider issues such as the impact of MPs holding second jobs and their roles outside of Parliament.<sup>120</sup>

The Prime Minister wrote to the Committee again on 30 March 2009, after it had announced its inquiry. He wrote:

Thank you for agreeing to conduct a review. In doing so, I fully recognise that you have a number of competing priorities but I would be grateful if you could look to both start and conclude the Review earlier than previously indicated to allow us to make progress on this issue as soon as practical.

It will of course be for you as an independent Committee to consider how you wish to proceed. However, I wish to reiterate what I said in my letter to you of 23 March, that I would welcome your consideration of MPs' allowances. I am keen you should not feel bound in your discussions but free to consider a wide set of issues including:

- the case for ending the distinction between inner and outer London MPs and moving outer London MPs onto a set London allowance; and
- how to compensate non-London MPs for the fact that they inevitably have to spend time at Parliament away from their home. Your consideration might include the possibility of moving away from the existing additional cost allowance to a simpler, overnight allowance that is independently determined.

In each case you might consider the international experience on these issues to bring the UK in line with best international practice. You may also wish to consult the Senior Salaries Review Body.<sup>121</sup>

On 31 March 2009, following another weekend of press reports about Members' allowances and the further letter from the Prime Minister, the CSPL issued another press notice, stating that it would bring forward its inquiry. Sir Christopher Kelly, the chairman of the CSPL, said:

"It is now obvious that this piece of work needs to start as soon as possible. We will defer work on our current inquiry into local and London government to begin work immediately on an independent, wide-ranging review of MPs' allowances.

"The situation has changed quite dramatically over the last few months and I am pleased that there is now such widespread political consensus on the need for reform. I hope that this will translate into full acceptance of our recommendations by all the main political parties – challenging though they are likely to be.

"The issues involved are complex. We will be meeting with party leaders and intend to publish an Issues and Questions Paper within the next few weeks. We will ask for

---

<sup>118</sup> Committee on Standards in Public Life, *Letter from Sir Christopher Kelly, Chairman to Sir Gus O'Donnell, Cabinet Secretary*, 3 March 2009

<sup>119</sup> The Prime Minister, *Review of Support and Remuneration for MPs*, 23 March 2009

<sup>120</sup> *Ibid*

<sup>121</sup> The Prime Minister, *MPs' Allowances*, 30 March 2009

written submissions from all interested parties and hold a number of public hearings. All evidence submitted to the inquiry will be published.

“This is not something which can be done with a quick fix; we want to do a thorough piece of work. Our firm intention is to publish our report towards the end of the year.”<sup>122</sup>

On 3 April 2009, the CSPL announced that the three members of the Committee nominated by the political parties would not take part in the inquiry into its review of Members’ allowances.<sup>123</sup>

On 23 April 2009, the CSPL launched its review of MPs’ expenses and published an *Issues and Questions* paper.<sup>124</sup> At the launch of the inquiry, the CSPL chairman, said:

“This will be a cool, hard and independent look at the way in which our MPs are supported to do their jobs. We want to hear all the arguments before coming forward with a package of recommendations later this year.

“The stakes are high; the issue of MPs’ expenses has been the single most damaging issue for public trust in politicians since ‘cash for questions’ led to the first Nolan report fifteen years ago. It is not healthy for democracy and must be disheartening for the large number of MPs who perform their duties with diligence and integrity. There must be reform and it must be done properly.

“This is not something that should be left to politicians to sort out for themselves. If public confidence is to be restored there needs to be an independent inquiry by people with no political agenda of their own, which can look hard at all the evidence and that is open to anyone who wants to contribute.

“Fundamentally important questions need to be addressed; for example, whether it is right in principle for MPs to determine both the level and nature of their own allowances and how best to ensure that MPs are not able to gain personal financial advantage from expenses claims designed to help them carry out their parliamentary duties. I am keen to hear what people think.

“The Committee is under no illusion about the urgency and complexity of this issue. There will be some difficult choices and arguments to balance. But I am determined that we carry out an open, thorough and impartial look and are able to recommend a workable new system that the public can trust.

“I am not interested in producing a menu of options from which politicians can pick and choose. Our task is to produce a comprehensive set of recommendations that all political parties commit to accepting in full.”<sup>125</sup>

On 27 April 2009, between announcing his own proposals for reform and the House debating them (see section 5), the Prime Minister wrote again to the CSPL. He asked the Committee to bring forward proposals on Personal Additional Accommodation Expenditure “as soon as possible and preferably before the summer recess”. He wrote:

---

<sup>122</sup> Committee on Standards in Public Life press notice, [Committee on Standards in Public Life to Bring Forward Review of MPs’ Allowances](#), 31 March 2009,

<sup>123</sup> Committee on Standards in Public Life, [Statement on the involvement of the three members of the Committee nominated by the three main political parties in the review of MPs’ Pay and Allowances](#), 3 April 2009,

<sup>124</sup> Committee on Standards in Public Life, [Review of MPs’ expenses: Issues and Questions](#), April 2009

<sup>125</sup> Committee on Standards in Public Life press notice, [Committee on Standards in Public Life calls for evidence on MPs’ Expenses Inquiry](#), 23 April 2009

The Government remains determined to move to an allowance system that is fair, transparent and less costly than the current system.

You will be aware that, in order to achieve this, the Government will put forward measures to the House this Thursday. These include ending claims for a second home from outer London; reducing the requirement for receipts claims from above £25 to zero; making staff appointed by MPs direct employees of the House of Commons and declaring in full where MPs have a second source of income from second jobs. We have also ended claims for Ministers living in official residences.

You will also be aware that a consensus has not been reached on the future of the Personal Additional Accommodation Expenditure for MPs. But we are agreed on the need for swift reform. Therefore I would ask the Committee on Standards in Public Life to come forward with its proposals on this issue as soon as possible and preferably before the summer recess, taking into account MPs' attendance at Westminster, the need for transparency and accountability and the desire to reduce the existing limits on the allowances which MPs may claim, producing overall cost savings.

I continue to highly value the role of the Committee on Standards in Public Life and look forward to your report on all aspects of MPs allowances.<sup>126</sup>

Sir Christopher Kelly, replied to the Prime Minister on the same day. He wrote:

Thank you for your letter of 27 April. My Committee and I fully understand the imperative to move quickly to restore public confidence in the system for reimbursing MPs' expenses.

You will be aware that we published our consultation paper last week. We have asked for written comments by 5 June 2009 as we are keen to give everyone that wants to do so, the opportunity to have their say. We will also be holding a series of public hearings in June and July. Expenditure on accommodation is but one part – though a fairly major one – of a more complex system. We would be concerned about addressing it in isolation and remain eager to hear all proposals for reform.

As you know the issues are not simple; the Committee takes the view that the process of hearing all the arguments and making recommendations based on evidence is key if we are to put forward a workable and credible package of changes. We aim to complete our review as early as we can consistent with doing a thorough job.<sup>127</sup>

The CSPL began taking oral evidence on 16 June 2009. Press reports the day before indicated that the inquiry could be completed in October. For example, the *Independent* reported that “A fundamental review of the House of Commons allowances system could report to MPs as early as October, the chairman of the Committee on Standards in Public Life Sir Christopher Kelly said yesterday”.<sup>128</sup>

## **6 Government proposals for reforms to the allowances' system (April 2009)**

### **6.1 Initial announcement**

On 21 April 2009, Harriet Harman, the Leader of the House of Commons, issued a written ministerial statement, noting that “the Prime Minister has asked Sir Christopher Kelly and the

---

<sup>126</sup> BBC News, [Expenses letters: full texts](#), 27 April 2009

<sup>127</sup> Committee on Standards in Public Life, [Review of MPs' Expenses](#) [Letter from Sir Christopher Kelly to Gordon Brown], 27 April 2009

<sup>128</sup> Andrew Woodcock, “Expenses inquiry to report early”, *Independent*, 15 June 2009

Committee on Standards in Public Life to look at all of the relevant issues involved in MPs' allowances as speedily as possible". But that "In the meantime the Government thinks it is right to bring forward reforms that can be enacted sooner. We will therefore be asking the House of Commons to support the following proposals, which will reduce the cost to the taxpayer".<sup>129</sup> The full written ministerial statement is set out below:

**The Leader of the House of Commons (Ms Harriet Harman):** To enable MPs to do their work representing their constituents effectively, there needs to be an allowance system. The public are entitled to be confident that that the allowance regime is fair and reasonable and effectively enforced.

The Prime Minister has asked Sir Christopher Kelly and the Committee on Standards in Public Life to look at all of the relevant issues involved in MPs' allowances as speedily as possible.

In the meantime the Government thinks it is right to bring forward reforms that can be enacted sooner. We will therefore be asking the House of Commons to support the following proposals, which will reduce the cost to the taxpayer:

*A. Flat-rate Allowance.* We propose that, for MPs representing constituencies outside London, the Personal Additional Accommodation Expenditure (commonly known as the 'second home' allowance) should be abolished and be replaced by a flat-rate daily allowance, based on actual attendance at Westminster on parliamentary and government business or the business of the Opposition frontbenches. This will be limited to the Parliamentary session or a maximum number of days.

There will now be no second home allowance or claims for food, furniture and fittings, fuel, mortgage interest, rent or council tax.

We will ask the Senior Salaries Review Body to set the appropriate level of allowance independently, comparable to those set by wider public and private institutions. The Committee on Standards in Public Life will want to consider these issues going forward, including the issue of taxation. Provision will be made for the long-term ill and maternity leave. The claims by each Member should be published annually.

*B. London.* For anyone representing constituencies within reasonable distance of Westminster, the Personal Additional Accommodation Expenditure will be replaced by the London supplement, which already applies to inner London MPs. The Committee on Standards in Public Life will of course want to look at the current Green Book rules on this and the SSRB should report on the level of the allowance.

*C. Grace and Favour homes.* Ministers who for security or other reasons live in so-called 'grace and favour' homes will continue to pay council tax and tax on the benefit of living in this accommodation but will not receive this new allowance. The Committee on Standards in Public Life should be asked to report on these arrangements.

*D. MPs' Staff.* In future all staff appointed by MPs without exception should become direct employees of the House of Commons, which would become centrally responsible for their employment terms and conditions, their contracts, and the payment of their salaries within the limit allowed - and will have the right to make an independent assessment of such contracts. The Committee on Standards in Public Life is examining the rules governing employment of spouses or other relatives.

---

<sup>129</sup> HC Deb 21 April 2009 cc10WS-11WS

*E. Full receipts.* There will be a requirement for receipts for claims for all remaining transactions (for office costs, travel, and communications), including those under £25. MPs' claims will be subject to independent audit by the National Audit Office.

*F. Transparency of MPs' Second Incomes.* The Prime Minister has already asked the Committee on Standards in Public Life to look into the issue of MPs and second jobs, in order to avoid conflicts of interest and to reflect the fact that MPs receive a parliamentary salary for a full time job. Meanwhile, there should be greater transparency.

This government has been the first to publish a list of Ministers' interests.

Where Members of Parliament have a second source of income from second jobs, irrespective of whether it is in their capacity as an MP, every payment shall be declared with a full description of who paid and what for. There shall also be a full declaration of the hours worked for the payment received.

*G. Pensions.* We have taken steps through the SSRB to reform MPs' pension arrangements. In the meantime, in order to contain the cost to the public purse, a proposal will be put before Parliament to increase the contribution required from MPs by around £60 per month for the current year and to extend the scheme's pension limit of two thirds of final salary to all scheme members for future service.

*H.* We will ask the Committee on Standards in Public Life to look at the circumstances applying in Northern Ireland before final application of the flat rate allowance for MPs representing Northern Ireland.

I hope that with the support of the whole House we could implement the majority of these proposals in time for 1 July. My Rt Hon Friend the Prime Minister has offered to meet with the leaders of the main Opposition Parties to discuss them. The Committee on Standards in Public Life will report their views in due course, which of course we will consider seriously, but we should implement as many interim changes as possible without delay.<sup>130</sup>

In the Library Standard Note *Members' allowances – Government proposals for reform*, the Government's proposals on allowances are set out and compared with the conclusions reached by the MEC in its June 2008 *Review of Allowances*.<sup>131</sup>

Gordon Brown, the Prime Minister, outlined the proposals in a "video statement" posted on the Downing Street website.<sup>132</sup>

The announcement was widely considered to be a surprise.<sup>133</sup> On 2 April 2009, at Business Questions, David Chaytor asked for an early debate on allowances. However, Harriet Harman, the Leader of the House, responded that:

**Ms Harman:** We have had many hours of debate in the House on the basic principles of Members' allowances, both at the beginning of this year and, on occasions, last summer. ... No doubt we will return to the issue once the party leaders have met and once we have the report from the Committee on Standards in Public Life. I am sorry,

---

<sup>130</sup> HC Deb 21 April 2009 cc10WS-11WS

<sup>131</sup> House of Commons Library Standard Note SN/PC/5046, [Members' allowances – Government proposals for reform](#), 5 May 2009

<sup>132</sup> Number 10, [PM announces proposals to overhaul MPs' expenses](#), 21 April 2009

<sup>133</sup> For example, the *Financial Times* referred to a "surprise announcement" [Jim Pickard and Alex Barker, "Brown seeks to abolish second home allowance", *Financial Times*, 22 April 2009]

but I cannot agree with my hon. Friend that we need a general talk about the issue now. I do not think that it should be a priority for debate in the House now.<sup>134</sup>

At Prime Ministers' Questions on 1 April 2009, David Cameron, the Leader of the Opposition, asked for a meeting between party leaders on MPs' expenses. The Prime Minister agreed to such a meeting but noted that the CSPL had already announced an inquiry:

**Mr. David Cameron (Witney) (Con):** ... may I ask the Prime Minister about the issue of MPs' expenses? [ *Interruption.* ] MPs may groan, but frankly I am fed up with our politics being dragged through the mud. We need a solution that is transparent, costs less than the current arrangements, and restores faith in the political process. Is it not the case that we cannot wait for another review, and that this needs to be agreed now? So instead of another review, will the Prime Minister agree to an urgent meeting between the main party leaders so that we can sort this out once and for all?

**The Prime Minister:** I agree and have said on many occasions that this whole system has to be reformed and improved. I think that there is common ground in this House that it brings no repute to MPs if we are continually having to deal with these issues. We have made some changes, by the will of the House, to the way that expenses are documented, to the way that the Green Book is organised, and to the way that people are obliged to account for their expenditures of money. Both the parties agreed that the Committee on Standards in Public Life could do a good job in looking at these issues. Of course I am happy to meet the leaders of the Opposition parties to discuss this, but to restore public confidence in the matter the Committee will have to complete its review as well, and I have asked it to speed up that review so that it is completed as quickly as possible.

**Mr. Cameron:** Frankly, the problem is that we do not need another review. Let us be clear: this is exactly what happened last time. The Prime Minister supported a review, he sent it a letter and when it came up with conclusions, he did not vote for them. [Hon. Members: "Nor did you."] I did vote for them. The public are sick and tired of this situation, and it requires political leadership. That means political leaders making decisions, which means the Prime Minister, the leader of the Liberals and me. I ask the Prime Minister again: will he have that meeting of party leaders so that we can sort this out? May we have it, instead of a review, not in six months' time, not in a year's time, but right now?

**The Prime Minister:** The right hon. Gentleman wrote his question before he heard my first answer. I said I was quite happy to meet him and the leader of the Liberal party to discuss these issues, but he has to remember that if we in this House are to command public confidence for what we do, we need to satisfy the Committee on Standards in Public Life as well as ourselves. The whole purpose of the discussions we have had in recent years is to take MPs' pay out of politics, so that it is not MPs who are held responsible for the original recommendations on pay, or for voting for them. I believe that we have to satisfy more than ourselves on the standards we apply in public life. Yes, I am prepared to talk to the right hon. Gentleman, but he should agree to what was agreed before: that the Committee on Standards in Public Life should continue to review this issue and report as quickly as possible.<sup>135</sup>

On 15 April 2009, in the *Guardian*, Nick Clegg, the Leader of the Liberal Democrats, summarised proposals for reform of the "second home allowance" that he had made to the Prime Minister and the Leader of the Opposition:

---

<sup>134</sup> HC Deb 2 April 2009 c1066

<sup>135</sup> HC Deb 1 April 2009 cc910-911

A better solution, and one I have proposed to Gordon Brown and David Cameron, is that we simply stop MPs from using taxpayers' funds to buy second homes; establish a more transparent allowance for rental, utility and council tax costs instead; and remove any remaining opportunity for MPs to decide on their own salaries.<sup>136</sup>

## 6.2 The motions

On 27 April 2009, Harriet Harman, the Leader of the House, tabled a series of motions for debate, foreshadowed in her written ministerial statement of 21 April 2009.<sup>137</sup>

The first motion welcomed the CSPL inquiry and indicated principles for changes to the overnight allowances system, although proposals for a daily allowance that were in the original proposals were not tabled. Other motions proposed changes to the allowances regime and the House's rules on Members' interests. The motions provided that: Members with constituencies within 20 miles of London would no longer be eligible for Personal Additional Accommodation Expenses (PAAE) from 1 April 2010; changes would be introduced to details Members have to provide about their outside interests, from 1 July 2009; the House of Commons Commission would review the way in which Members' staff are employed; the threshold for receipts would be reduced to zero, from 1 July 2009; and the responsibilities of the Members Estimate Committee would be changed to give it the power to amend the Green Book.

Press coverage of the publication of the motions noted that the proposals to replace the Personal Additional Accommodation Expenditure with a daily allowance had not been proceeded with. For example, Andrew Grice, in the *Independent* wrote:

A week after announcing proposals to axe the payments, the Prime Minister backed down to head off a humiliating defeat in a Commons vote on Thursday. His plan to replace the second homes allowance with an attendance payment of about £150 a day hit strong opposition from MPs of all parties, who objected to "clocking in".

The Commons will vote only on the less-contentious aspects of Mr Brown's plan this week. In future, all claims will require receipts; previously MPs could claim £25 without them. There will be fuller disclosure about MPs' other jobs, including income, and MPs' staff will be employed centrally by the Commons.<sup>138</sup>

At its meeting on 28 April 2009, the Committee on Standards and Privileges decided to table amendments to the motions for debate on 30 April. In a press release, the Committee explained the effect of its amendments:

After careful consideration at its meeting this morning, Members of the Committee on Standards and Privileges have today tabled Amendments to the Government's Motions on Members' Allowances, which are to be debated in the House on Thursday. The Amendments have been signed by all ten Members of the Committee, who between them represent four political parties.

The effect of the Amendments is to allow the independent Committee on Standards in Public Life, chaired by Sir Christopher Kelly, to complete its review of Members' allowances without being pre-empted by decisions of the House of Commons.

---

<sup>136</sup> Nick Clegg, "A greater test is to come: Expense abuses are one symptom of a bankrupt political culture. Britain deserves real change", *Guardian*, 15 April 2009; James Kirkup, "MPs' home-buying perk must end, says Clegg", *Daily Telegraph*, 10 April 2009

<sup>137</sup> Harriet Harman's motions were tabled on 27 April 2009. They first appeared on the Order Paper the following day: House of Commons, *Order Paper – Remaining Orders and Notices*, 28 April 2009

<sup>138</sup> Andrew Grice, "Brown backs down on plan for MPs to 'clock in'", *Independent*, 28 April 2009

The Members of the Committee are unanimously of the view that only changes arising from an independent, external review of the system of Members' Allowances will command public support.<sup>139</sup>

### 6.3 Debate and decisions

The House debated the Government's proposals for reform on 30 April 2009. All the motions were discussed together in a single debate, and a series of votes took place at the end of the debate.

#### **Members' allowances**

Harriet Harman, the Leader of the House of Commons, tabled the following motion:

- (1) That this House welcomes the Prime Minister's decision of 23 March 2009 to invite the Committee on Standards in Public Life to inquire into Members' allowances;
- (2) That it is necessary to recognise the additional costs incurred by hon. Members as a result of the need for them to undertake parliamentary duties both in Westminster and their constituency;
- (3) That, in the opinion of this House, any new arrangements relating to Members' allowances ought to—
  - (a) take account of hon. Members' attendance at Westminster,
  - (b) be transparent and accountable, and
  - (c) reduce the existing annual limits on the allowances which hon. Members may claim, producing overall cost savings;
- (4) That, to resolve this matter urgently and in a way that will command maximum public support, it would be desirable for the House to have an opportunity to consider any recommendations from the Committee as early as possible.

Sir George Young, the chairman of the Committee on Standards and Privileges, moved the following amendment:

Line 3, leave out from 'allowances' to end and add ' ; , believes that in order to command maximum public support for change the House should defer its conclusions until after the Committee has reported; and further believes it would be desirable for the House to have an opportunity to consider any recommendations from the Committee as early as possible.'<sup>140</sup>

The Government decided to accept the amendment. Harriet Harman, the Leader of the House, explained that:

... we propose to accept, and not put to the vote, the amendment in the name of the Chair of the Standards and Privileges Committee, because it endorses the Kelly inquiry, and I think that it is important for the House to endorse that inquiry. The three issues raised in the rest of the motion, which is deleted by the Chair of the Select Committee's amendment, are about linking allowances to attendance, transparency and value for money for the public. Christopher Kelly has already said, in his consultation paper, that he will take those issues forward in his inquiry. That being the

<sup>139</sup> Committee on Standards and Privileges press notice, *Government motions on Members' Allowances: amendments tabled by Members of Standards and Privileges Committee*, 28 April 2009, 2008-09 No 1

<sup>140</sup> House of Commons, *Order of Business*, 30 April 2009, Motion 1, Amendment (j)

case, and as the motion was only an opinion, I do not think that it is necessary to put the amendment to the vote. We will accept the amendment. The first motion will therefore be important, because it means the whole House, I hope, endorsing the Kelly inquiry.<sup>141</sup>

The House accepted Sir George Young's amendment, without a division. The motion, as amended, was then agreed to without a division. The House resolved that:

That this House welcomes the Prime Minister's decision of 23 March 2009 to invite the Committee on Standards in Public Life to inquire into Members' allowances; believes that in order to command maximum public support for change the House should defer its conclusions until after the Committee has reported; and further believes it would be desirable for the House to have an opportunity to consider any recommendations from the Committee as early as possible.<sup>142</sup>

The *Guardian* reported the effect of the amendment in the following way:

Yesterday, as the debate on the expenses plan began, Brown retreated further and withdrew a motion that would have directed Kelly's expenses reforms to "take account of MPs' attendance at Westminster".<sup>143</sup>

### ***Questions arising from the Government's acceptance of the amendment to the motion on Members' allowances***

Sir George Young had tabled similar amendments to the four motions which followed. His amendments to the other four motions were not selected. Some Members queried whether the amendment to the first motion meant that the remaining motions should be withdrawn. For example, on a point of order, Sir Patrick Cormack said that:

We have just heard that the Leader of the House is to commend that the House, without a vote, endorses an amendment that says that Sir Christopher Kelly's report should be waited for. She went on to say that the House should, in effect, pre-empt Sir Christopher's decisions in a number of particulars. Surely that is inconsistent, and surely all the other motions are predicated on the amendment that is to be carried.<sup>144</sup>

However, the Speaker told the House that:

I do not regard motions 2 to 6 as directly contingent on motion 1, or in direct contradiction to it. *[Interruption.]* Order. Let me speak. As a result, motions 2 to 6 can be moved if the Government so wish. The motions are a separate series of propositions on which the House can decide. If the motions are moved, that is what will happen.<sup>145</sup>

Sir George Young welcomed the Government's acceptance of his amendment but argued that his victory was "pyrrhic":

I am grateful to the right hon. and learned Lady for giving way, and for agreeing to accept my amendment before I even made my speech on it. However, from what she says, it sounds as though it is a pyrrhic victory, because even if the amendment is to be carried, she invites the House to make conclusions. My Committee could not have

---

<sup>141</sup> HC Deb 30 April 2009 c1067

<sup>142</sup> HC Deb 30 April 2009 c1126

<sup>143</sup> Patrick Wintour, "Brown warned of meltdown of trust after expenses U-turn", *Guardian*, 1 May 2009

<sup>144</sup> HC Deb 30 April 2009 c1067; Alan Duncan, the Shadow Leader of the House, argued that it was "logical and honest" to drop the other motions, if the amendment was accepted [HC Deb 30 April 2009 c1069]

<sup>145</sup> HC Deb 30 April 2009 c1068

been clearer: we wanted the House to defer its conclusions until after Sir Christopher Kelly's committee reported. We tabled exactly the same amendments to all the other motions, so that there could be no doubt whatever about our intentions. I have to say that it sounds somewhat inconsistent to accept the amendment and then plough on as if it had not been accepted.<sup>146</sup>

Speaking for the Liberal Democrats, David Heath, argued that it was appropriate to have a "twin-track" approach:

That is why we need the twin-track approach, dealing both with the more complex issues, about which it is quite proper to ask for Sir Christopher Kelly's and his committee's advice, and with those matters which I would have hoped—although I am almost doomed to disappointment in this respect—the House could see are matters that are in our hands and which we can deal with urgently today.

That is why, although the Leader of the House has accepted the amendment standing in the name of the Chairman of the Standards and Privileges Committee, the right hon. Member for North-West Hampshire (Sir George Young), I do not take the view that we should not proceed with the other motions. We have opinions on them; nevertheless, they are matters that we can quite properly discuss in the House today.<sup>147</sup>

Having signified his view that, by accepting Sir George Young's amendment, all the other motions should have been dropped, Alan Duncan did not offer a Conservative Party view on the individual measures proposed in them.<sup>148</sup>

### ***Members' Allowances (Greater London)***

The Leader of the House tabled the following motion:

That, with effect from 1 April 2010, no distinction shall be made for the purposes of the rules governing Members' allowances between an hon. Member who represents an inner-London constituency and an hon. Member who represents any other constituency the whole of which falls within 20 miles of the Palace of Westminster.

The Leader of the House explained the effect of the motion: it "would mean that from April next year there would be no distinction between Members from inner and outer London". She then argued that "Whatever the Kelly report recommends on the additional costs allowance, I think, and I invite the House to decide now, that the distinction between inner and outer-London Members is no longer sustainable".<sup>149</sup>

She received support from the Liberal Democrats; David Heath argued that it was an "anomaly" that Members representing any London seats were able to claim PAAE.<sup>150</sup>

Angela Watkinson, the Member for Upminster, criticised the decision to change the rules on eligibility for Personal Additional Accommodation Expenditure. She argued that:

Upminster is just about as far from Westminster as one can get and still be in London. After working for 12 to 15 hours, it is not reasonable to be expected to arrive home after midnight and return early the next morning; it means having no personal time at all. The presumption that outer London Members can commute is simply wrong. Nor is

---

<sup>146</sup> HC Deb 30 April 2009 c1068

<sup>147</sup> HC Deb 30 April 2009 c1082

<sup>148</sup> HC Deb 30 April 2009 c1077

<sup>149</sup> HC Deb 30 April 2009 c1069

<sup>150</sup> HC Deb 30 April 2009 c1086

it reasonable or appropriate to expect us to live out of suitcase. It would be a thoroughly miserable existence.<sup>151</sup>

The House agreed to the motion on a division by 355 votes to 39.<sup>152</sup>

Maps and lists of constituencies within 20 miles of the Palace of Westminster are appended to the Library Standard Note *Members' allowances – the Government's proposals for reform*.<sup>153</sup> Both current constituencies and those that will be contested at the next general election are shown.

### **Registration of Members' Financial Interests**

The Leader of the House tabled the following motion:

(1) That, for the purpose of complying with the Resolution of the House of 22 May 1974 relating to Registration of Members' Financial Interests, in respect of interests falling within Category 1 (Directorships), Category 2 (Remunerated employment, office, profession, etc) or Category 3 (Clients), hon. Members shall furnish the Registrar with the following particulars—

(a) the precise amount of each individual payment made in relation to any interest,

(b) the nature of the work carried out in return for that payment,

(c) the number of hours worked during the period to which the payment relates, and

(d) except where disclosure of the information would be contrary to any legal or established professional duty of privacy or confidentiality, the name and address of the person, organisation or company making the payment;

(2) That such interests shall be registered whether or not their value in any given year exceeds one per cent. of the current Parliamentary salary;

(3) That the provisions of this Resolution shall apply whether or not the interest in question depends essentially upon, or arises out of, the hon. Members' position as a Member of Parliament; and

(4) That the provisions of this Resolution shall come into effect on 1 July 2009.

Harriet Harman argued that:

The third motion would, by requiring Members to declare all their earnings from outside employment, enable the Kelly review to make its proposals about outside employment with full knowledge of its extent. I believe that the motion is necessary to assist the Kelly committee. An amendment proposes that there would be no need to register the amount of time a Member spends earning money on outside interests, but I think that, if the public elect a Member, they have a right to know how much time that Member devotes to making money rather than to representing their constituents. So, I am not minded to accept the amendment [to leave out para (1)(c) – in the event, the amendment was not moved].

---

<sup>151</sup> HC Deb 30 April 2009 c1114

<sup>152</sup> HC Deb 30 April 2009 c1127

<sup>153</sup> House of Commons Library Standard Note SN/PC/5046, *Members' allowances – the Government's proposals for reform*, 5 May 2009

The motion would help Sir Christopher to make decisions about outside interests in the full knowledge of their extent; otherwise, he would be asked to make decisions without fully knowing about outside interests because they would not be fully registered. If the House agrees with the motion, however, everything will be out in the open and he will be able to make recommendations, having been put fully in the picture.<sup>154</sup>

David Heath argued that “Whether people are being paid far too much for too little in their outside employment or are spending too long at their outside employment are legitimate questions to ask Members of the House”.<sup>155</sup> However, Sir Patrick Cormack expressed some concern about the terms of the motion:

Already we have a register and those of us who have any outside earnings register them without any qualms or worries. The register covers what we do, the bands of money that we earn, and for whom we do these things. We are moving down a very slippery slope here because we are moving towards a situation in which, over a generation, this House will become an assembly of full-time, permanent politicians who have no connection with or relationship with the outside world.

[...]

I do not see why there has to be this intrusiveness in respect of everyone who has outside earnings. I should like to encourage people to do things outside the House.<sup>156</sup>

Sir George Young identified some practical problems:

I also have doubts about the practicability of some of the proposals. As an example of what will now be caught by the rules on financial interests, any hon. Member who receives a £30 fee for completing an opinion poll, even though the sum is donated to a local charity, will need to register that sum. Not only that, but they will be obliged each time to register the name of the organisation, its address and the amount of time that they spent on the phone. Also, if a colleague is presented with a bottle of wine after a speaking engagement, that becomes potentially registrable as earnings, as does the time spent at the function. That is because the Government, without any consultation, have abolished the de minimis threshold for categories 1, 2 and 3 in the register, which the House confirmed without a Division only two months ago.<sup>157</sup>

The House agreed to the motion on a division by 305 votes to 31.<sup>158</sup>

### **Members' Staff**

The Leader of the House tabled the following motion:

- (1) That, in the opinion of this House, staff who work for an hon. Member should be employed by the House, as a personal appointment and managed by the hon. Member; and
- (2) That the House of Commons Commission shall consider this decision and make recommendations for its implementation, including any transitional provisions which may be necessary, by 29 October 2009.

In introducing the motion, Harriet Harman explained that:

---

<sup>154</sup> HC Deb 30 April 2009 c1070

<sup>155</sup> HC Deb 30 April 2009 c1085

<sup>156</sup> HC Deb 30 April 2009 c1092

<sup>157</sup> HC Deb 30 April 2009 cc1102-1103

<sup>158</sup> HC Deb 30 April 2009 cc1130-1133

The fourth motion is about our staff. The reality is that the staff allowance is nothing to do with our salary; it is to pay our staff. Yet, because it is accounted for as part of our allowance, the public see it as part of our pay, which it is not.<sup>159</sup>

She was questioned about the extent to which Members' staff would be consulted on the matter. She gave an assurance that there would be consultation with staff and she added that Chris Bryant, the Deputy Leader of the House, had already begun meeting with trade unions and staff associations.<sup>160</sup>

In the course of the debate, Sir Stuart Bell, a member of the House of Commons Commission, addressed the motion. He noted that the Members Estimate Committee's review of allowances, which was published in June 2008, had considered the question of the House employing Members' staff, and he also identified a number of issues:

The question of staff has been raised. Last year, the Members Estimate Committee considered what would happen to our staff if they became House of Commons employees, and its two-volume report includes a large section on that. As the law stands, any member of staff who becomes a member of the staff of the House of Commons also becomes a member of staff of the Commission, and cannot be a political servant or can be only politically neutral. Any change in that procedure would require a new unit and possibly legislation.<sup>161</sup>

He assured the House that "staff salaries and their relation to Members of Parliament will be carefully considered".<sup>162</sup>

An amendment to leave out paragraph (1) of the motion was defeated by 285 votes to 96.<sup>163</sup> Further amendments either fell or were not moved. The House then agreed to the motion, on a division by 280 votes to 100.<sup>164</sup>

The activities of the House of Commons are funded by two Estimates, the House of Commons: Administration Estimate and the House of Commons: Members Estimate. At present, expenditure on Members' staff is funded from the Members Estimate, which is overseen by the Members Estimate Committee. The staff of the House are paid from the Administration Estimate,<sup>165</sup> which is the responsibility of the House of Commons Commission:

The framework for the governance of the House of Commons was established by the *House of Commons (Administration) Act 1978* which set up the House of Commons Commission. The Commission employs the staff of the House, ensures that their terms and conditions remain broadly in line with those of civil servants, appoints an Accounting Officer, lays the Estimate (budget) for the House of Commons services and determines the structure and functions of the departments of the House.<sup>166</sup>

---

<sup>159</sup> HC Deb 30 April 2009 c1070

<sup>160</sup> HC Deb 30 April 2009 c1071

<sup>161</sup> HC Deb 30 April 2009 c1078

<sup>162</sup> HC Deb 30 April 2009 c1079

<sup>163</sup> HC Deb 30 April 2009 cc1133-1136

<sup>164</sup> HC Deb 30 April 2009 cc1136-1139

<sup>165</sup> The Administration Estimate focuses on the administrative costs of running the House of Commons as an institution. The focus of the Members Estimate is mainly on Members of Parliament as individual elected representatives. It provides for their remuneration, parliamentary allowances and IT equipment in support of them carrying out their work effectively. [House of Commons, *Members Estimate – Annual Report, Resource Accounts & Audit Committee Annual Report 2007-08*, July 2008, HC 975 2007-08, paras 2-4]

<sup>166</sup> House of Commons Commission, *Thirtieth report of the House of Commons Commission – Financial Year 2007/08*, June 2008, HC 710 2007-08, p10

By referring the question of Members' staff to the House of Commons Commission, rather than the Members Estimate Committee, the motion suggests that there may have to be changes to the budgetary procedures of the House. At this stage it is not clear whether such changes would require an amendment to the *House of Commons (Administration) Act 1978*.

### ***Members' Allowances (Evidence of Expenditure)***

The Leader of the House tabled the following motion:

That, in respect of any claim for payment made by an hon. Member after 1 July 2009 in relation to any allowance or expenditure for which documentary evidence is required, such evidence shall be required regardless of the sum concerned.

Harriet Harman explained the effect of the motion: "There would need to be receipts for all claims".<sup>167</sup>

The House agreed to the motion, on a division by 348 votes to 22.<sup>168</sup>

### ***Members Estimate Committee (Amendment of the Green Book)***

The Leader of the House tabled the following motion:

That Standing Order No. 152D (House of Commons Members Estimate Committee) shall be amended in line 10 by inserting after 'House' the words 'and the Guide to Members' Allowances known as the Green Book'.

Harriet Harman explained the effect of the motion:

... motion 6 would allow the Members Estimate Committee, which already has the power to amend resolutions of the House, to amend the Green Book.<sup>169</sup>

The motion was agreed to without a division.<sup>170</sup>

## **7 Proposals for an independent Parliamentary Standards Authority and changes to the rules on allowances (announced May 2009)**

In May 2009, the *Daily Telegraph* began publishing a series of articles on claims made by Members for allowances, having obtained unredacted information that was being prepared for release by the House of Commons in response to Fol rulings. The redacted information was released on 18 June 2009.<sup>171</sup>

In part because of the leaking of information about allowances, but for other reasons as well, the pressure on the Speaker to resign grew. On 18 May, he announced that he had convened a meeting of party leaders to discuss the events, review party leaders' announcements and agree an approach to deal with the situation.

**Mr. Speaker:** I would like to make a statement on Members' allowances. We all know that it is the tradition of this House that the Speaker speaks to the whole House, but in doing so please allow me to say to the men and women of the United Kingdom that we have let you down very badly indeed. We must all accept blame and, to the extent that

<sup>167</sup> HC Deb 30 April 2009 c1071; more information on the release of details of Members' expense claims under Fol are available in the Library Standard Note SN/PC/4732, [MPs' allowances and Fol requests](#)

<sup>168</sup> HC Deb 30 April 2009 cc1139-1142

<sup>169</sup> HC Deb 30 April 2009 c1071

<sup>170</sup> HC Deb 30 April 2009 c1142

<sup>171</sup> Houses of Parliament, [MPs' allowances published online](#)

I have contributed to the situation, I am profoundly sorry. Now, each and every Member, including myself, must work hard to regain your trust.

As a matter of urgency, and within 48 hours, I am calling the Prime Minister and party leaders, including those of the minority parties, to meet me and the other members of the House of Commons Commission. Also present will be the right hon. Member for Islwyn (Mr. Touhig) [the Chairman of the Committee on Members' Allowances].

Leaders of all parties have made announcements on what should be done. Some of their proposals are very similar to those put to the House on 3 July last year by the Members Estimate Committee—which I chair—copies of which are lodged in the Vote Office. I want discussion to centre on the additional costs allowance and all those matters that have caused the greatest controversy and most anger with the public, and I include in that the early publication of the additional costs allowance, office costs and travel material.

While we await the work of the Committee on Standards in Public Life, we must search for agreement, so that the Leader of the House can bring forward resolutions to give an opportunity for the House to deal with the immediate situation. In the meantime, I do urge all hon. Members not to submit claims for approval. Last week, I had a most productive meeting with Sir Christopher Kelly, who explained to me his hopes to bring forward reasoned proposals in the autumn. While we await the outcome of his work, it is imperative that we continue to improve our accounts and practice in the interim, and get in place measures that work and are seen to be working. I say again that we all bear a heavy responsibility for the terrible damage to the reputation of this House. We must do everything we possibly can to regain the trust and confidence of the people.<sup>172</sup>

The reaction to the announcement was not overwhelmingly supportive – the Speaker was told that a motion of no confidence in him was to be tabled that day.<sup>173</sup> Following the Speaker's statement, David Heath suggested that it was necessary "for this House to resolve to accept unequivocally the results of Sir Christopher Kelly's decisions". However, the Speaker replied that "steps have to be taken within this House" before the CSPL reported in the autumn".<sup>174</sup>

The following day, immediately after prayers, the Speaker announced that he would resign on 21 June;<sup>175</sup> he also, later in the day, announced the outcome of the meeting of party leaders, in relation to expenses. He said that further restrictions would be placed on what could be claimed under PAAE. He also announced that the Leader of the House would make a statement on proposals made by the Prime Minister, and supported by other party leaders, for the regulation of the House of Commons by an independent body:

This afternoon I convened a meeting of party leaders—both major and minor parties—and members of the House of Commons Commission to make decisions on the operation of parliamentary allowances pending the recommendations of Sir Christopher Kelly's Committee on Standards in Public Life. The Chairman of the Committee on Members' Allowances was also present to advise us.

---

<sup>172</sup> HC Deb 18 May 2009 c1205

<sup>173</sup> A motion, in the name of Douglas Carswell and 22 other Members, entitled "No Confidence in the Speaker" appeared among the *Remaining Orders and Notices*, published on 19 May 2009. It read:

That this House has no confidence in Mr Speaker and calls for him to step down; notes that Mr Speaker has failed to provide leadership in matters relating to hon. Members' expenses; believes that a new Speaker urgently needs to be elected by secret ballot, free from manipulation by party Whips, under Standing Order No. 1B; and believes that a new Speaker should proceed to reform the House in such a way as to make it an effective legislature once again.

<sup>174</sup> HC Deb 18 May 2009 c1206

<sup>175</sup> HC Deb 19 May 2009 c1323

The Committee on Standards in Public Life will come forward with long-term reforms to the current allowances system. All parties are now committed to implementing its recommendations as a whole, subject to the formal agreement of this House, provided that these reforms meet the tests of increased transparency and accountability and reduced cost for the taxpayer. We have today agreed a robust set of interim measures which will take effect at once and do not pre-empt any more substantial changes to be put forward by the Kelly committee.

Second homes: there will be no more claims for such items as furniture, household goods, capital improvements, gardening, cleaning and stamp duty. The following only should be claimable: rent, including ground rent; hotel accommodation; overnight subsistence; mortgage interest; council tax; service charges; utility bills, including gas, water, electricity, oil, telephone calls and line rental; and insurance—buildings and contents.

Designation of second homes: no changes to be made to designation of second homes in the years 2009-10, with a transparent appeal procedure for exceptional cases.

Capital gains tax: Members selling any property must be completely open with the tax authorities about whether they have claimed additional costs allowance on that property as a second home and are liable for capital gains tax. Members should make a declaration in respect of any property on which they claim for expenditure that it is not—and will never be—their main residence for capital gains tax purposes. Whether such a declaration has been made will be made public.

Couples: Members who are married or living together as partners must nominate the same main home, and will be limited to claiming a maximum of one person's accommodation allowance between them.

Mortgages: all those Members claiming reimbursement must confirm that the mortgage continues, that the payments are for interest only, and the amount claimed is accurate. Mortgage interest claims will be capped at £1,250 per month. In the view of the meeting—and subject to the recommendations of the Kelly committee—this maximum figure should be reduced in the longer term. The same cap will apply to rent and hotel accommodation. Some of these measures I am announcing will require a resolution by the House in the near future; others will be put into effect by administrative action.

Staffing: we confirmed the enforcement of deposit of staff contracts and the registration of any relatives employed.

While the Kelly committee recommendations are awaited, there will be no specific changes to other allowances. The Department of Resources is instructed to tighten the administration of all claims and apply a clear test of "reasonableness". If there is any doubt about the eligibility of a claim, it will be refused and there will be no appeal. In future, all authorised payments will be published online at transaction level on a quarterly basis by the Department of Resources.

All past claims under the former additional costs allowance over the past four years will be examined. This will be carried out by a team with external management; the external manager will be appointed after consultation with the Comptroller and Auditor General. All necessary resources will be made available. The team will look at claims in relation to the rules which existed at that time, and will take account of any issues which arise from that examination which cause them to question the original judgment.

The meeting also received a paper from the Prime Minister, which was endorsed by the other party leaders, calling for a fundamental reform of allowances—moving from

self-regulation to regulation by an independent body. The Government will consult widely on this proposal. Further to this, the Leader of the House will be making a statement tomorrow, which will allow the House a full opportunity to ask questions, and Members to air their views on the decisions we have made and the proposals for the future.

**The Leader of the House of Commons (Ms Harriet Harman):** Further to your statement, Mr. Speaker. As you said, the Prime Minister provided a document for today's discussions with you and other party leaders. For the convenience of Members, I will deposit this paper in the Library tonight, and copies will be made available for Members in the Vote Office.<sup>176</sup>

The Leader of the House deposited *Proposals for Fundamental Reform of the Parliamentary Allowances System* in the Library.<sup>177</sup>

On 20 May 2008, the Leader of the House made a statement to the House and the MEC met and agreed changes to the rules on the PAAE.

After describing the background to the meeting convened by the Speaker and outlining the decisions taken by the meeting on allowances, the Leader of the House set out some details on the proposed parliamentary standards authority:

The proposal on which we seek to consult would see Parliament legislate to delegate specific responsibilities to a new, independent parliamentary standards authority, which would revise and update the codes of practice for Members of this House, investigate complaints where a Member of this House is alleged to have breached the code of conduct, take forward the implementation of the recommendations of the Committee on Standards in Public Life on allowances and take responsibility for authorising claims for payment under the new allowance system. It would be able not only to disallow claims, but to require payback of claims wrongly paid out and to impose financial penalties.

It is clearly appropriate that the new body should also take responsibility for such issues in the Lords, including administering and regulating the systems for peers' allowances, overseeing the code governing peers' conduct and the Register of Lords' Interests, ensuring high standards of propriety and financial conduct, investigating alleged abuses of the system and recommending any necessary sanctions.

[...]

The new authority would also maintain the register of Members' financial interests in this House and deal with the disclosure of second incomes. Discipline issues that might require sanctions such as suspension from the House, which would have a bearing on Members' ability to perform their work, would remain a matter for the whole House through the Standards and Privileges Committee. Only the electorate, or those who are themselves democratically elected, should be able to prevent a Member from doing their work in this House.<sup>178</sup>

Fuller details of the proposed parliamentary standards authority are given in the Library Research Paper RP09/61 *Parliamentary Standards Bill* (forthcoming).

---

<sup>176</sup> HC Deb 19 May 2009 cc1421-1422

<sup>177</sup> [Proposals for Fundamental Reform of the Parliamentary Allowances System](#), 19 May 2009, Dep 2009/1474

<sup>178</sup> HC Deb 20 May 2009 c1506

The minutes of the MEC's meeting, later on 20 May 2009, set out the changes that it agreed on PAAE, and that changes would come into effect immediately:

The Committee made the following changes to the Green Book:

- Last sentence on page 5 and first paragraph on page 6 deleted; replaced by "The Department must apply a clear test of reasonableness to every claim. If there is any doubt about the eligibility of a claim, it will be refused. There is no appeal from such a refusal."
- Restriction of PAAE to rent, including ground rent, hotel accommodation, overnight subsistence, mortgage interest, council tax, service charges, utility bills (gas, water, electricity, oil, telephone calls and line rental), insurance (buildings and contents).
- Removal of the provision allowing change of designation of main and additional homes once in any year (paragraph 2.1.5); insertion of "Members may not swap the respective designations as between their main home and additional home, subject to appeal in exceptional cases to the Committee on Members' Allowances (and further appeal if rejected to the Members Estimate Committee)".
- Addition of "Members selling any property must inform the tax authorities whether they have claimed Additional Costs Allowance or PAAE on that property as an additional home and are liable for capital gains tax on it. Members must make a declaration in respect of any property on which they are claiming PAAE that it is not their main residence for capital gains tax purposes. Whether such a declaration has been made will be made public."
- Addition of "Members who are married to each other or are civil partners must nominate the same main home and are limited to claiming a maximum of one person's PAAE between them."
- Addition of a cap on mortgage interest claims and claims for hotel accommodation of £1250 per month. Rent under any new rental agreement made after 19 May 2009 on a new property also to be capped at £1250 per month, and existing rental agreements to be submitted to the Department of Resources and rigorously scrutinised.

The Committee agreed that these provisions should apply to any expenditure incurred after 19 May and any claims received by the Department of Resources after 1 June.

The Committee instructed the Department of Resources to ask Members claiming reimbursement of mortgage interest to confirm the terms of the mortgage agreement, that the payments are for interest only and that the amount claimed is accurate; and to be rigorous in ensuring that the arrangements are consistent with the claims made.

The Committee instructed the Department of Resources to make arrangements for quarterly publication of transaction-level information from the start of the current financial year.

The Committee directed the Accounting Officer to instruct the Department of Resources to make arrangements for a re-examination of claims under the former Additional Costs Allowance over the period 2004/05 to 2008/09, and to make reasonable resources available. This task was to be carried out by a team headed by an external manager appointed after consultation with the Comptroller and Auditor General. The team was to look at claims in relation to the rules which existed at the

time, and to take account of any issues arising from that examination which caused them to question the original judgment.<sup>179</sup>

There was all-party support for the plans and on 10 June, the Prime Minister confirmed the plans. In his statement on Constitutional Renewal, he said that:

The proposed new authority would take over the role of the Fees Office in authorising Members' claims, oversee the new allowance system, following proposals from the Committee on Standards in Public Life, maintain the Register of Members' Interests, and disallow claims, require repayment and apply firm and appropriate sanctions in cases of financial irregularity. I welcome the cross-party support for these proposals, which will be contained in the Bill that we will introduce very soon. I believe that the whole House will also wish to agree that, as part of this process, the new regulator should scrutinise efficiency and value for money in Parliament's expenditure, and ensure, as suggested to Sir Christopher Kelly, that Parliament costs less.

Secondly, the House will be asked to agree a statutory code of conduct for all MPs, clarifying their role in relation to their constituents and Parliament, detailing what the electorate can expect and the consequences that will follow for those who fail to deliver. It will codify much more clearly the different potential offences that must be addressed, and the options available to sanction. These measures will be included in a short, self-standing Bill on the conduct of Members in the Commons, which will be introduced and debated before the summer Adjournment. This will address the most immediate issues about which we know the public are most upset, but it will be only the first stage of our legislation on the constitution.<sup>180</sup>

David Cameron indicated his support for the proposals but raised questions about accountability:

We will back the establishment of a Parliamentary Standards Authority to supervise all matters relating to Members of Parliament' pay and expenses, but there are still serious questions to be answered, not least about how it will relate to the House and to whom it will be ultimately accountable.<sup>181</sup>

Nick Clegg also indicated his support for the proposals, saying, "I also strongly welcome the move towards a Parliamentary Standards Authority and an MPs' code of conduct. These changes should be implemented immediately with no more delay".<sup>182</sup>

Over the weekend of 13-14 June, the Leader indicated that it was her intention that the legislation establishing the PSA would have received Royal Assent by the Summer Recess.<sup>183</sup> On 18 June 2009, Lord Bach, the Parliamentary Under-Secretary of State at the Ministry of Justice, confirmed that "the Government intend to bring forward a Bill to create an Independent Parliamentary Standards Authority before the House rises for the summer".<sup>184</sup>

On 19 June 2009, in response to a written question, Nick Harvey, for the House of Commons Commission, outlined how the re-examination of claims under the ACA would proceed:

---

<sup>179</sup> Members Estimate Committee, *Formal Minutes 20 May 2009*, Item 1, Adoption and Implementation of Measures Announced in Mr Speaker's Statement of 19 May

<sup>180</sup> HC Deb 10 June 2009 c796

<sup>181</sup> HC Deb 10 June 2009 c799

<sup>182</sup> HC Deb 10 June 2009 cc802-803

<sup>183</sup> Andrew Grice, "Expenses inquiry to report early", *Independent*, 15 June 2009

<sup>184</sup> HL Deb 18 June 2009 cWA222

Sir Thomas Legg KCB QC has been engaged to carry out the review of four years' claims for Additional Costs Allowance for all Members who have claimed the allowance. His terms of reference are currently under consideration. He will begin work shortly and carry out his review as quickly as possible. He will draw on external professional accountancy expertise as well as help from other sources. His findings will be published in a report in due course.<sup>185</sup>

### **7.1 Current position**

The CSPL has begun taking oral evidence and has announced that it hopes to report in October 2009. The main parties have indicated their intentions to implement the CSPL's recommendations

The *Parliamentary Standards Bill*, to establish the Independent Parliamentary Standards Authority, which would take over the authorisation and payments of Members' pay and allowances, was introduced in the House of Commons on 23 June 2009. The Government intends that the Bill will receive Royal Assent before the Summer Recess.

---

<sup>185</sup> HC Deb 19 June 2009 c539W

## **Appendix 1 – MEC recommendations made in its *Review of Allowances***

### *Audit and assurance*

1. We recommend that there should be a robust new system of practice assurance involving regular financial health checks on records kept and processes used in Members' offices with outside professional teams covering about 25% of Members each year and every Member each Parliament. (Paragraph 63)
2. We recommend that the House extends the scope of the audit engagement so that it is the same as for other public bodies. The NAO expects that their sampling of claims paid will include one or more transactions relating to at least 20 per cent of MPs each year. (Paragraph 68)
3. We recommend that, from the start of the 2009-10 financial year, the receipt threshold should be reduced from £25 to zero and that all claims, however small, will have to be backed by receipts. (Paragraph 47)
4. We recommend that the Green Book (setting out the rules on allowances for Members) be revised to specify more detailed rules and that the new version be brought into effect by 1 April 2009. (Paragraph 71)
5. We recommend that, for payments from the staffing allowance, it should be mandatory for Members to deposit staff contracts and job descriptions with the Department of Resources and that this should be rigorously enforced. (Paragraph 103)

### *Scope of overnight expenses*

6. We recommend that, with immediate effect, Members should no longer be able to claim reimbursement for furniture and household goods or for capital improvements. (Paragraph 215)
7. We recommend that new MPs elected to the next Parliament to represent constituencies in outer London should be eligible to claim half of any overnight expenses allowance; and all MPs representing those seats should be restricted to claim half the standard rate from the start of the following Parliament. (Paragraph 229)

### *Constituency offices*

8. We recommend acceptance of the SSRB proposal that constituency office lease or rental should be met in full by the House recognising that in some constituencies office costs are higher than can reasonably be met out of the current Incidental Expenses Provision; that this should be limited in size and standard under detailed criteria to be drawn up by an independent chartered surveyor; that the scheme be run under the guidance of such a surveyor employed by the House; that the scheme be phased-in over a period of time; and that Members who choose not to make use of the new scheme can continue to claim for constituency office costs under the Incidental Expenses Provision or its successor. (Paragraph 130)

### *Communications*

9. We recommend that the rules governing the Communications Allowance be tightened in respect of not publishing during election periods, not using party logos or other distinguishing labels, confining distribution to Members' own constituencies and other matters; and that claims for the costs of production of any publication costing more than £1,000 will only be met if it has been cleared in advance with the Department of Resources. (Paragraph 141)

10. We recommend that the Communications Allowance itself be frozen at the current level for three years from April 2009 till April 2012 and thereafter the uprating formula be changed to RPIX. (Paragraph 142)

*Travel*

11. We recommend that the House should continue to apply the same car mileage rate as specified by HM Revenue & Customs. (Paragraph 160)

12. We recommend that the current figure of 350 miles per month which may be claimed without supporting documents be replaced by separate mileage limits for small, medium-sized and large constituencies. (Paragraph 164)

*Overnight expenses*

13. We recommend that the Additional Costs Allowance be adapted into an overnight expenses allowance, comprising a £19,600 maximum budget for accommodation (excluding furniture, household goods and capital improvements) but operating on the basis of itemised reimbursement and a flat rate of £30 for daily subsistence. (Paragraph 225)

14. We recommend that, instead of the London Supplement (which Sir John Baker recommended should be increased to £3,623), the extra living costs and working unsociable hours in London should be reflected in a new London costs allowance consolidated into a taxable amount of £7,500 for MPs who do not or are not eligible to claim the Additional Costs Allowance. (Paragraph 234)

*Resettlement*

15. We recommend that, in the next Parliament, the basis of calculation of the Resettlement Grant should be shifted towards Members leaving the House in their early fifties. (Paragraph 253)

*Other SSRB recommendations*

16. We recommend that the SSRB proposal that Incidental Expenses Provision should be abated for every work station in London should not be implemented. (Paragraph 109)

17. We recommend that no further steps should be taken to implement the SSRB proposal for a further increase in the Staffing Allowance for each full-time equivalent member of staff based in London. (Paragraph 110)

18. We recommend that the SSRB's proposal that partners of Members should be entitled to the same limited travel arrangements as spouses and civil partners should not be implemented. (Paragraph 171)

Source: Members Estimate Committee, [Review of Allowances](#), 25 June 2008, HC 578-I 2007-08, pp71-73

## Appendix 2 – Payments to hon Members (Publication Scheme)

Resolved,

(1) That, subject to the provisions of paragraph (2) below, for the purpose of the publication scheme adopted and maintained by the House under section 19 of the Freedom of Information Act 2000, such information about payments made to, or on behalf of, hon. Members which is already published routinely in accordance with the scheme shall continue to be published;

(2) In addition, information relating to Members' expenditure from the beginning of the current Parliament shall be published in relation to each financial year, to the extent that such information is separately identifiable, under the following categories:

(a) Administrative and Office Expenditure:

- (i) accommodation costs for offices, surgeries, etc;
- (ii) office equipment and supplies;
- (iii) telephones and other telecommunications;
- (iv) professional fees and charges;
- (v) agency and other staff costs;
- (vi) travel costs;
- (vii) utilities;

(b) Personal Additional Accommodation Expenditure:

- (i) mortgage interest;
- (ii) rent;
- (iii) hotel costs;
- (iv) council tax;
- (v) fixtures, fittings and furnishings;
- (vi) subsistence;
- (vii) other household costs, including service charges, utilities, telecommunications, maintenance and repairs;

(c) Communications Expenditure:

- (i) websites;
- (ii) reports and surveys;
- (iii) delivery charges, postage and stationery;
- (iv) advertising;
- (v) equipment;

(d) Staffing Expenditure;

(e) Travel Expenditure in relation to travel by Members:

- (i) car, including third party vehicle rental and mileage;
- (ii) rail;
- (iii) air;
- (iv) other UK and European travel;

(f) Resettlement Grant;

(g) Winding-up Expenditure;

(3) The Committee on Members' Allowances shall keep the categories listed in paragraph (2) above under review and may modify them from time to time as the committee may think necessary or desirable in the interests of clarity, consistency, accountability and effective administration, and conformity with current circumstances.

Source: HC 22 January 2009 cc969-970

## Appendix 3: The roles of the Members Estimate Committee and the Committee on Members' Allowances

### **Members Estimate Committee**

(3) The functions of the committee shall be—

- (a) to codify and keep under review the provisions of the resolutions of this House and *the Guide to Members' Allowances known as the Green Book* relating to expenditure charged to the Estimate for House of Commons: Members;
- (b) to modify those provisions from time to time as the committee may think necessary or desirable in the interests of clarity, consistency, accountability and effective administration, and conformity with current circumstances;
- (c) to provide advice, when requested by the Speaker, on the application of those provisions in individual cases;
- (d) to carry out the responsibilities conferred on the Speaker by the resolution of the House of 5th July 2001 relating to Members' Allowances, Insurance, &c;
- (e) to consider appeals against determinations made by the Committee on Members' Allowances under paragraph (1)(d) of Standing Order No. 152G.

Source: House of Commons, [Addendum to the Standing Orders of the House of Commons – Relating to Public Business](#), 3 June 2009, Standing Order No 152D(3)

### **Committee on Members' Allowances**

152G.—(1) There shall be a select committee, called the Committee on Members' Allowances,

- (a) to advise the House of Commons Members Estimate Committee on the discharge of its functions; and
- (b) to advise the Speaker, the Members Estimate Committee and the Leader of the House on the potential development of the arrangements made by or under the Resolutions in force from time to time regarding Members' allowances &c;
- (c) to approve practice notes to be used in administering Members' allowances which may be issued by the House; and
- (d) to determine (subject to any appeal to the Members Estimate Committee) the application of the rules in such individual cases as may be referred to them by Members, in accordance with procedures prescribed by the Committee.

Source: House of Commons, [Addendum to the Standing Orders of the House of Commons – Relating to Public Business](#), 3 June 2009, Standing Order No 152G(1)