



Members' allowances: decision of 16 July 2008 and the revised Green Book

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On 3 July 2008, the House debated the *Review of Allowances*, which it had asked the Members Estimate Committee to produce in January 2008.

Although the House reached a decision on 3 July 2008, there was some disquiet about leaving the rules of the Additional Costs Allowance unchanged and not having a system of external audit. On 15 July 2008, the Conservative Party tabled a motion to be debated during its Opposition Day on 16 July that allowed the House to revisit the question of the Additional Costs Allowance and to reconsider the role that external auditors could play in the monitoring of Members' allowances.

On 5 August 2008, the Leader and Deputy Leader of the House of Commons published a consultation document on the *Audit and Assurance of MPs' Allowances*. They made proposals on the role of the Advisory Panel on Members' Allowances in redrafting the Green Book; on the role of the National Audit Office in auditing Members' expenses; and on no longer allowing Members to employ their children in their parliamentary or constituency offices. They asked for Members' views by 29 September 2008.

These developments are described in Sections 1-5 of this note, which were last updated on 11 August 2008.

Section 6 relates to the publication of a revised version of the Green Book and the Members Estimate Audit Committee's review of audit and assurance. The MEC's report *Revised Green Book and audit of Members' allowances* is expected to be considered by the House on 22 January 2009.

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1 Decisions on the MEC's Review of Allowances

On 24 January 2008, the House considered the Senior Salaries Review Body's *Review of parliamentary pay, pensions and allowances 2007*.¹ In line with the Government's proposals, it agreed to refer the SSRB's recommendations on Members' allowances to the Members Estimate Committee (MEC).

Shortly afterwards, the House considered a report from the Committee on Standards and Privileges into the use made by Derek Conway of the Staffing Allowance. The Committee concluded that Mr Conway had misused the Staffing Allowance, and recommended that he be suspended from the House for ten days.² The House concurred.³ Following this decision, the Speaker announced that the MEC would undertake a "root and branch" review of allowance.⁴

The MEC's *Review of Allowances* was published on 25 June 2008,⁵ and debated on 3 July 2008.⁶

The MEC recommended an enhanced audit system for Members' expenses; changes to the Additional Costs Allowance and its scope, such as no longer funding items on the "John Lewis list"; 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.

The House debated a motion in the name of Nick Harvey, who speaks in the House on behalf of the Commission and the MEC that would have given effect to the MEC's recommendations. An amendment, tabled by Labour back bencher Don Touhig, rejected the MEC's proposed audit regime, calling for a system of internal audit, and its planned changes to the Additional Costs Allowance. The amendment also provided a timetable for the implementation of the changes.⁷ The amendment was agreed to by 172 votes to 144. Fuller details of this debate and the MEC's recommendations are provided in the Library Standard Note *Members' pay and allowances – decisions of 3 July 2008*.⁸

2 The need for further debate

The press coverage of the debate and decisions portrayed the decisions 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

¹ Review Body on Senior Salaries, *Review of parliamentary pay, pensions and allowances 2007*, Report No 64, Cm 7270-1, January 2008, <http://www.ome.uk.com/downloads/Review%20of%20Parliamentary%20pay%202007%20volume%201.pdf.pdf>

² Committee on Standards and Privileges, *Conduct of Mr Derek Conway*, 28 January 2008, HC 280 2007-08
³ HC Deb 31 January 2008 cc481-490

⁴ *Letter from the Speaker announcing the review of Mps' pay and allowances*, 4 February 2008, <http://www.parliament.uk/documents/upload/speakerletter-080205.pdf>

⁵ Members Estimate Committee, *Review of Allowances*, HC 578 2007-08

⁶ HC Deb 3 July 2008 cc1061-1124

⁷ HC Deb 3 July 2008 cc1061-1124

⁸ House of Commons Library Standard Note SN/PC/4794, *Members' pay and allowances – decisions of 3 July 2008*, <http://www.parliament.uk/commons/lib/research/briefings/snpc-04794.pdf>

night as they threw out reforms designed to restore confidence in the parliamentary expenses system".⁹

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.

[...]

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.¹⁰

The Conservative Party's motion for debate on 16 July 2008 was:

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

⁹ 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

¹⁰ HC Deb 16 July 2008 cc255-256

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 2009.¹¹

3 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".¹² However, Peter Atkinson argued that "Anything we do in the House is political";¹³ others suggested that the motion tabled by the Opposition was "very party political" and that it had been tabled as a "publicity stunt".¹⁴

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 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.¹⁵

She noted that the Conservative Party would be publishing "right-to-know" forms that day.¹⁶ (The Conservative Party had announced that all its frontbench team would be required to complete these forms in February 2008.¹⁷)

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.¹⁸ 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.¹⁹ For further details of the written ministerial statement, see section 5.1.

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.²⁰ He also confirmed that:

¹¹ HC Deb 16 July 2008 c255

¹² For example, Sir Patrick Cormack (HC Deb 16 July 2008 c256, c284); Douglas Hogg (*Ibid* c257)

¹³ HC Deb 16 July 2008 c297

¹⁴ HC Deb 16 July 2008 c300; c286

¹⁵ HC Deb 16 July 2008 c261

¹⁶ HC Deb 16 July 2008 c260

¹⁷ 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, <http://www.parliament.uk/commons/lib/research/rp2008/rp08-031.pdf>. The "Right-to-Know" forms were published with the following press notice: Conservative Party News, *MPs' expenses published*, 16 July 2008, http://www.conservatives.com/tile.do?def=news.story.page&obj_id=145781

¹⁸ HC Deb 16 July 2008 c268

¹⁹ HC Deb 16 July 2008 cc271-273

²⁰ HC Deb 16 July 2008 cc273-275

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.²¹

(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”.²² Individual Liberal Democrat shadow Cabinet members are publishing details of their expenses on their websites.)

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.²³ 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 day around the offices. That argument has now been lost, however ... It is now up to the Government to make the NAO proposals work.²⁴

4 Members’ allowances – decision of 16 July

At the end of the debate, the House rejected the Conservative motion by 295 votes to 238.²⁵ 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

²¹ HC Deb 16 July 2008 c279

²² Liberal Democrats News, *Clegg to implement MEC proposals on MPs’ expenses*, 4 July 2008, <http://www.libdems.org.uk/government/story.html?id=14633>

²³ HC Deb 16 July 2008 cc280-283; 289-293

²⁴ HC Deb 16 July 2008 c290

²⁵ HC Deb 16 July 2008 cc311-314

with the rules, and the checks and testing of the controls to ensure that they are adequate and effective.²⁶

5 Next steps

5.1 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 2008,²⁷ 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

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 Chair of the Committee on Standards in Public Life 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 Advisory Panel on Members' Allowances 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 National Audit Office.

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.²⁸

During the course of the debate on 16 July, Harriet Harman 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

²⁶ HC Deb 16 July 2008 cc314-315

²⁷ HC Deb 16 July 2008 cc31WS-32WS

²⁸ HC Deb 16 July 2008 cc31WS-32WS

hon. Members' expenses in the autumn".²⁹ 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.³⁰

The consultation document, *Audit and Assurance of MPs' Allowances*, was published on 5 August 2008.³¹ The document was addressed to "All Members of the House of Commons"; 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".³²

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:

66. Recent instances of MPs employing their children has raised public concern and dented public confidence.

67. The Standards and Privileges Committee have produced 2 recent reports on the employment of family members. The Committee proposed a new category in the Register of Interests for family members employed and remunerated through the Staffing Allowance. This became voluntary in April 2008 and will become compulsory in August 2008. The Committee on Standards in Public Life also deemed it acceptable for MPs to employ family members where appropriate. The Committee stated that staff should always have appropriate skills, be remunerated at a level commensurate with their responsibilities, experience and skills, and should have a contract setting out their duties.

68. MEC recommendations making it mandatory for Members to deposit staff contracts and job descriptions with the Department of Resources will come into force from 1 October 2008. They are designed to promote fairness and transparency in the engagement of MPs' staff. The decisions taken by the House and the MEC on staff pay on 24 January, 10 March and 3 July mean that the overall staffing allowance for Members' staff is now £100,205.

69. The Standards and Privileges Committee recently stated that "the current ability of MPs to use public money to employ members of their own family is an unusual arrangement which might not be allowed elsewhere". This has to be balanced against the fact that the MEC "observe with confidence that many MPs' spouses working either in the House or in constituencies – or both, like the Member- are first class employees". Whilst spouses may have the skills, experience or qualifications to make them the most appropriate candidate for work in their partners' parliamentary or constituency office, this is less likely to apply to MPs' children whether under 18 or

²⁹ HC Deb 16 July 2008 cc271-272

³⁰ HC Deb 16 July 2008 c273

³¹ Office of the leader of the House of Commons, *audit and Assurance of MPs' Allowances*, August 2008, Cm 7460, <http://www.official-documents.gov.uk/document/cm74/7460/7460.pdf>

³² *Ibid*, Foreword, pp3-4

young adults. Furthermore, recent incidents involving the employment by MPs of their children, demonstrate clearly the negative impact this has on public confidence in Members.

70. The proposal is therefore that MPs' children should no longer be able to gain paid employment in their parent's constituency or parliamentary offices, or in any other role relating to the parent's work as an MP.³³

The consultation document was accompanied by a press notice *Consultation on proposals for the audit and assurance of MPs' allowances gets under way*.³⁴

5.2 The Advisory Panel on Members' Allowances

Under the terms of the Resolution of 16 July 2008, the House believed that "there should be a re-writing of the Green Book by the Advisory Panel on Members' Allowances augmented by two 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".³⁵

The Resolution has not changed the advisory role given to the Panel when it was first established (see Box 1). The final responsibility for the content of the Green Book rests with the MEC.

Box 1: Advisory Panel on Members Allowances (APMA)

The Advisory Panel on Members' Allowances (APMA) was set up (as the Speaker's Advisory Panel) in 2001 to advise the Speaker on the application of the allowances and arrangements for the provision of IT and training. It was given the following terms of reference:

Advisory Panel

- (4)—(1) It should be the responsibility of a Panel appointed by Mr. Speaker to advise him on:
- (i) directions he may give as to the application of the provisions of this Resolution under paragraphs (2) and (3) above;
 - (ii) his authorisation of expenditure not otherwise specified in this Resolution but within the ambit of the Vote, pursuant to paragraph (3)(f) thereof; and
 - (iii) the application of the provisions of this Resolution to individual cases of difficulty.
- (2) The Panel should advise Mr. Speaker 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.³⁶

On 29 January 2004, when the House established the MEC, it confirmed the APMA's role but provided for it to advise the MEC rather than the Speaker. However, the Speaker was to continue to appoint the members of the APMA.³⁷

³³ *Ibid*, paras 66-70

³⁴ 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, <http://www.commonleader.gov.uk/output/Page2540.asp>

³⁵ HC Deb 16 July 2008 c315

³⁶ HC Deb 5 July 2001 c422; approved HC Deb 5 July 2001 cc463-466

³⁷ HC Deb 29 January 2004 c406; c418

The terms of the Resolution establishing the APMA allow the Speaker to make appointments to it, so no further measures are required to enable him to nominate the “two external appointees” provided for in the Resolution of 16 July 2008.³⁸

At its meeting on 21 July 2008, the Members Estimate Committee 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”.³⁹

5.3 The Members Estimate Audit Committee

In her written ministerial statement, Harriet Harman proposed that the NAO should submit its financial audit of all allowances to the Members Estimate Audit Committee (MEAC), which, she added, “will include three external independent members”.⁴⁰ MEAC currently includes two independent members. Brief details of its establishment, terms of reference and membership are provided in Box 2.

Box 2: The Members Estimate Audit Committee (MEAC)

MEAC was established in June 2004 by the MEC, and given the following terms of reference:

On behalf of the Members Estimate Committee, to:

- have general oversight of the work of internal audit and review relating to the Members Estimate, with particular emphasis on promoting economic, efficient and effective administration, and on risk assessment and control assurance;
- receive and consider reports from the Internal Review Service (IRS), together with external audit material relating to the Members Estimate;
- monitor and review the external auditor’s independence, objectivity and effectiveness, and to make recommendations to the Members Estimate Committee about the external auditor’s appointment;
- advise the Accounting Officer in the exercise of his responsibilities;
- consider and recommend to the Accounting Officer the internal review programme for the Members Estimate;
- encourage best financial practice, use of resources and governance in relation to the Members Estimate;
- report annually, the report to be published with the Members Estimate annual accounts.

The MEAC usually meets four times per year, and its minutes are published on the parliamentary website.

As well as having two members from the MEC, it has two external appointees. It is chaired by the Shadow Leader of the Opposition.⁴¹

³⁸ The current members of the APMA are: John Spellar (Chairman); Alistair Carmichael; Helen Goodman; Michael Jack Mp; Thomas McAvoy; Kali Mountford; and John Randall (source: *Advisory Panel on Members’ allowances: Members*, http://www.parliament.uk/parliamentary_committees/apma/apma_members.cfm)

³⁹ House of Commons Commission, *Formal Minutes*, 21 July 2008, http://www.parliament.uk/about_commons/house_of_commons_commission/_hccfm210708.cfm

⁴⁰ HC Deb 16 July 2008 cc31WS-32WS

⁴¹ Further details are available on the MEAC’s website: http://www.parliament.uk/parliamentary_committees/meac.cfm

5.4 Possible inquiry by the Committee on Standards in Public Life

During the course of the MEC's *Review of Allowances*, it met with the Committee on Standards in Public Life (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".⁴² 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 whether there are in practice continuing public concerns or clear and obvious deficiencies in the new arrangements or in their implementation.⁴³

In February 2008, just after the launch of the MEC's review, the CSPL was urged to undertake its own inquiry. 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

⁴² Members Estimate Committee, *Review of Allowances*, 25 June 2008, HC 578-I 2007-08, Appendix 1

⁴³ Committee on Standards in Public Life Press Notice PN 215, *MEC Report*, 30 June 2008, http://www.public-standards.gov.uk/~media/assets/www.public_standards.gov.uk/PN215%20doc.ashx

outcome of the various Parliamentary and political Party initiatives announced over the last few days before making a decision".⁴⁴

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".⁴⁵

However, 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 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.

⁴⁴ 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, http://www.public-standards.gov.uk/news/07_02_08.aspx

⁴⁵ James Kirkup, "MPs face official expenses inquiry", *Daily Telegraph*, 21 July 2008

“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.”⁴⁶

6 The revised Green Book and audit of Members’ allowances

6.1 The Members Estimate Committee Report

On 15 January 2009, the MEC’s report, *Revised Green Book and audit of Members’ allowances*, was published.⁴⁷ The MEC reported that “APMA [the Advisory Panel on Members’ Allowances] 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 1), and included a section in the revised Green Book on stationery. It commended the revised Green Book to the House.⁴⁸

The revised Green Book is more principles-oriented than rules-based. A brief overview is given in section 6.2.

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 is annexed to the MEC’s report (see section 6.3 for a brief review of MEAC’s review): the MEC endorsed its recommendations.⁴⁹

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.⁵⁰

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

⁴⁶ Committee on Standards in Public Life press notice PN216, *MPs’ pay and allowances*, 28 July 2008, http://www.public-standards.gov.uk/~media/assets/www.public_standards.gov.uk/pn216%20doc.ashx

⁴⁷ Members Estimate Committee, *Revised Green Book and audit of Members’ allowances*, 15 January 2009, HC 142 2008-09

⁴⁸ *Ibid*, para 2

⁴⁹ *Ibid*, para 4

⁵⁰ *Ibid*, para 5

Services Committee for approval.⁵¹ This procedure is detailed in the revised Green Book, which states:

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.⁵²

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.⁵³

Box 1: 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".⁵⁴

6.2 The revised Green Book

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

In his Introduction to the July 2006 edition of the *Green Book*, the Speaker states that "Its principal aim is to set out in clear terms to Members the information they need on pay, allowances, pensions, and responsibilities for employees".⁵⁵

Part I of the revised Green Book is entitled "Principles Governing Members Allowances", in which it describes the "governance of the allowances; the "fundamental principles"; and "applying the principles". Part II describes the allowances and for each of the main allowances sets out:

- The purpose of the allowance;
- Eligibility;
- Examples of appropriate expenditure;
- Issues needing particular attention
- Documentation required; and

⁵¹ *Ibid*, para 6

⁵² *Ibid*, Annex 1 [Revised Green Book], p7

⁵³ *Ibid*, para 3

⁵⁴ Committee on Standards and Privileges, *Use of pre-paid envelopes and official stationery*, 27 November 2008, HC 1211 2007-07, para 7

⁵⁵ Department of Finance and Administration, *The Green Book – Parliamentary Salaries, Allowances and Pensions*, July 2006

- How the allowance works in practice.

In Parts III and IV, the revised Green Book provides additional information, such as rules on transferring funds between allowances and between financial years; taxation issues; contact 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".⁵⁶

6.3 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 are currently audited, it "started from first principles to recommend a comprehensive system of audit and assurance".⁵⁷

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".⁵⁸ 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.⁵⁹

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.

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".⁶⁰

⁵⁶ 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

⁵⁷ *Ibid*, p42, para 8

⁵⁸ *Ibid*, p45, paras 18-19

⁵⁹ *Ibid*, pp47-48, para 29

⁶⁰ *Ibid*, p45 and p43, para 22 and para 16

6.4 Adopting the revised Green Book

A motion to approve the revisions to the Green Book, to bring the rules it sets 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. It was among the Remaining Orders and Notices on the Order Paper for Thursday 15 January 2009. The full motion reads:

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).

6.5 Related issues before the House

Committee on Members' Allowances

At Business Questions on 13 November 2008, Harriet Harman was asked if there were any plans to make the APMA a formal committee of the House:

Sir Michael Spicer (West Worcestershire) (Con): Will the right hon. and learned Lady make the Speaker's advisory committee a formal Committee of the House?

Ms Harman: Is the hon. Gentleman referring to the Members Estimate Committee, the House of Commons Commission or the Advisory Panel on Members' Allowances?

Sir Michael Spicer: The Advisory Panel on Members' Allowances.

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.⁶¹

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 provides for a new Standing Order and gives the new committee the following role:

COMMITTEE ON MEMBERS' ALLOWANCES

Ms Harriet Harman

[...]

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;

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 section on "applying the principles" suggests 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?⁶²

The MEAC commented that:

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 2000.⁶³

However, the House is being asked to approve a draft order, the *Freedom of Information (Parliament) Order* 2009, which would remove Members' allowances from Freedom of Information legislation, but also to extend the number of headings under which aggregated information on amounts claimed by Members are published. For a fuller discussion of the question of allowances and Freedom of Information see the Library Standard Note on *MPs' allowances and FoI requests*.⁶⁴

⁶¹ HC Deb 13 November 2008 c955

⁶² Members Estimate Committee, *Revised Green Book and audit of Members' allowances*, 15 January 2009, HC 142 2008-09, Annex 1 [Revised Green Book], p8

⁶³ 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

⁶⁴ House of Commons Library Standard Note SN/PC/4732, *MPs' allowances and FoI requests*, <http://www.parliament.uk/commons/lib/research/briefings/snpc-04732.pdf>