

CIPFA's submission to the Committee on Standards in Public Life on the review of MPs' expenses

09-06-2009

1 Introduction

1.1 CIPFA welcomes the work of the Committee on Standards in Public Life. In CIPFA's view, the Committee has identified several issues that are key to the debate surrounding MPs' expenses.

1.2 CIPFA has done much to promote effective governance in the public services and continues to do so, not least through its various submissions to the Committee on Standards in Public Life and through the development of guidance. CIPFA's recent projects in this area include the CIPFA/SOLACE Framework : Delivering Good Governance in Local Government and The Good Governance Standard for Public Services. The Good Governance Standard, developed by an Independent Commission established by CIPFA and the Office for Public Management (OPM) with support from the Joseph Rowntree Foundation, builds on the Nolan principles for the conduct of individuals in public life by setting out six core principles of good governance for public service organisations underpinned by supporting principles. The Standard and the Nolan principles provide a useful context and frame of reference for consideration of MPs' expenses.

1.3 We have commented on the issues raised in the Committee's paper that are of particular interest to CIPFA in its roles as a national stakeholder within the UK public services, a membership organisation and a professional accountancy body.

2 General comments

2.1 The issue of remuneration and expenses of Members of Parliament has been extremely corrosive to the reputation of MPs, eliciting widespread condemnation and cynicism from the public at large. In our view, however, the solution does not lie in Parliament agreeing new rules, tighter controls or more modest allowances. The solution lies in Parliament removing itself completely from any involvement in proposing or approving MPs' pay and expenses.

3 Detailed comments

What are the necessary elements of a system which both supports MPs properly in the performance of their important and demanding role and commands public confidence.

How much discretion should the system allow about issues like the designation of second homes?

In CIPFA's view, the desirable characteristics of a revised system should include transparency, simplicity and the system should be fully independent and exposed to external scrutiny (see paragraphs 3.5, 3.10 and 3.11). A new system should concentrate on principles rather than attempting to cater for every conceivable individual circumstance. MPs should be expected to exercise an element of personal judgement and responsibility and in doing so should exemplify the Nolan principles and the principles of good governance.

It has become increasingly clear that although some MPs may consider that they have previously adhered to the letter of the rules relating to the allowances system, they have not adhered to the spirit of good governance. In many ways, this links to the ethos of the Good Governance Standard and in particular the principle relating to demonstrating the values of good governance through behaviour which encourages individuals to strive for the public good whilst ignoring personal interests. If this principle was applied to the issue of designation of second homes, for example, an MP might be expected to make a personal judgement that the family home is the main residence - whether that be in the constituency or in London - because that is the decision which best reflects individual responsibility and accountability. Setting the judgement in this context makes it quite clear that a decision based on personal financial benefit would be completely inappropriate.

In CIPFA's view, it is essential that MPs are given induction training so that they fully understand how any revised system works and are aware of their personal responsibility for making appropriate judgements about the level and nature of claims.

Is it right that the House of Commons should be in a position to determine the nature and size of its own expenses scheme? If not, what are the alternatives? Who should be responsible for approving the content of the Green Book which sets out the basic rules?

We agree with the Committee's guiding presumption that MPs are entitled to reimbursement of expenses wholly, exclusively and necessarily incurred in connection with their role. But it invites criticism if MPs are responsible for approving their own entitlements, even if they are merely approving the recommendations of an independent body such as the Committee on Standards in Public Life.

3.5 To restore trust and confidence Parliament must hand over complete responsibility for setting all aspects of pay and expenses, including MPs' pension arrangements, to a new independent commission established for that purpose. In order for the commission to command public confidence it must be completely autonomous and have freedom and the resources to carry out any research necessary to inform its decisions.

3.6 Members of the commission must be seen to be independent of vested interests including in particular Parliament, Government and the political parties. This poses a practical difficulty in terms of how and by whom members of the commission should be appointed. One option would be for Parliament to prescribe in legislation a number of existing independent organisations which enjoy public trust and confidence. Those organisations would then each have the right to nominate one member to serve on the commission for a specified term. Members so nominated would then serve in an individual capacity; they would not be representatives of the relevant nominating bodies.

3.7 The work of the commission should be publicly funded. Its members would be paid on a per diem basis, at rates comparable to those payable to non-executive board members of Whitehall departments.

3.8 The commission's key role would be to determine and publish new levels of pay and benefits for MPs (including a new expenses scheme), which it would also update from time to time.

Are the range of expenses which are currently reimbursable correct? Are the correct judgements being made about the resources MPs need to perform their jobs effectively?

3.9 The Committee's Issues paper raises a number of concerns that have been expressed regarding MPs' expenses. For example, paragraph 3.36 notes that MPs are not required to pay for any of their travel between Parliament, home and the constituency, whereas most employees are expected to fund their own commute from home to work. In CIPFA's view it would be useful for these reimbursable expenses to be looked at in relation to those that can be claimed by individuals in other parts of the public services such as council members. The position of MPs is likely to be strengthened if their expenses scheme is seen to be similar to those of their constituents who are in employment or of other people in public roles, as opposed to what may be perceived to be a uniquely generous arrangement. In a similar vein we believe, as a matter of principle, there should be no special tax concessions associated with MPs' remuneration and expenses.

Are the arrangements for policing the expenses system adequate? If not, how should they be reinforced? Is there adequate independent involvement? Are the new arrangements for internal and external audit introduced at the beginning of the financial year adequate?

The Committee's Issues paper notes that MPs accused of breaching the rules may be investigated by the Parliamentary Commissioner for Standards, an independent officer, but that the Commissioner reports to the Committee on Standards and Privileges which is formed solely of MPs. In local government, authorities are required to have independent members comprising at least 25% of the membership of their standards committees and the Standards

Board for England recommends that there should be at least two independent members. In CIPFA's view greater involvement of independent individuals in the oversight of MPs' expenses would help restore public confidence.

CIPFA welcomes the new arrangements regarding audit and assurance that will, for the first time, subject MPs' expenses to an equivalent regime to that which applies to other expenditure out of public funds. Like all other areas of public expenditure, MPs' remuneration and expenses should be subject to a full independent annual audit. The scope of the audit should cover 'regularity' of transactions as well as an examination of the economy, efficiency and effectiveness in the use of public resources.

What level of detail of expenses claims should be routinely available to the public without the need to make Freedom of Information Act request for it?

3.12 In order to restore public confidence in MPs a transparent expense claims system is crucial. CIPFA therefore believes that detailed expense claims of all MPs should be available on-line as they are in other jurisdictions (for example the annual analysis provided in Canada).