

OVERVIEW OF ACTIVITIES

Twelfth report: Review of MPs' Expenses and Allowances

5. The Committee published its twelfth report, *Review of MPs' Expenses and Allowances: Supporting Parliament, Safeguarding the Taxpayer*, in November 2009.² The report contained 60 recommendations to reform the arrangements for expenses incurred by Members of Parliament in performing the role for which they have been elected. The objective was to make sure that MPs are effectively and appropriately supported by arrangements that meet the highest standards of propriety and command public confidence. Our recommendations were accepted in full by the leaders of the three main political parties. Appendix 1 summarises progress on implementation of each of the recommendations eight months after they were made.

The new expenses scheme

6. The majority of our recommendations fall to be implemented by the new Independent Parliamentary Standards Authority (IPSA). After a period of consultation, IPSA laid the new expenses scheme before Parliament in March 2010. It became operational in May, from the beginning of the new Parliament.
7. The new scheme promulgated by IPSA adopts the vast majority of our relevant recommendations, in part or in full, while making some of them bear more heavily on MPs than we had intended. The main departure is in allowing the continued employment by MPs of members of their own family, paying them out of public funds. We regret this decision. We recognise that many employed family members provide a valuable and effective service. But we came to the conclusion that the practice was inappropriate in a modern world and should be discontinued, with appropriate transitional provisions. Our intention was that the new scheme should meet the highest standards observed elsewhere and remove features which could give rise to even the suspicion of abuse. Where family members are concerned, it is difficult to see how normal standards of fairness of recruitment, value for money and effectiveness of performance can be guaranteed. We hope that IPSA will keep this aspect of the scheme under particularly careful review.
8. We are conscious that the early days of the new arrangements have not been without controversy. It is important that these difficulties are worked through in a way which recognises the importance of the scheme supporting MPs effectively and not making their lives unnecessarily difficult. Given a degree of goodwill and understanding, we see no reason why this should not be achieved.

Other issues covered by the twelfth report

9. A number of our recommendations fall outside IPSA's responsibilities. Some of these recommendations, while accepted in principle, have yet to be implemented. They include the addition of independent members from outside Parliament to the House of Commons Committee on Standards and Privileges – the committee charged with adjudicating alleged breaches of the MPs' Code of Conduct – and to the

² Oliver Heald MP, Alun Michael MP and Baroness Maddock voluntarily stood down from the Committee for the duration of this inquiry and, correspondingly, should not be associated with either the conclusions of the report or with any comments made on it in this annual report.

Speaker's committee which appoints the members of the IPSA board and determines its budget.

10. We had also recommended that the practice of dual mandates – cases where the same individual sits in both the House of Commons and the Welsh, Scottish, or Northern Ireland legislatures – should be brought to an end by 2011. We understand that steps are being taken to end the one existing dual mandate in Wales by May 2011. The recommended timetable is unlikely to be met in Northern Ireland. But we welcome the commitment fully to phase out dual mandates there by 2015. There are currently no dual mandates affecting the Scottish Parliament.
11. There is only one of our significant recommendations relating to the infrastructure that we are conscious of having been rejected entirely – the establishment of a joint audit committee by IPSA and the House of Commons to oversee the assurance arrangements for MPs' expenses, facilities and support arrangements. We understand that the Comptroller and Auditor General has advised against this proposal as a way of meeting our concern that unless the arrangements were viewed as a whole there was a risk of some issues falling between the cracks. The Clerk of the House has indicated that instead of a joint audit committee a formal framework of Joint Working Agreements has been established between the House of Commons and IPSA, with an overarching Protocol signed by the Clerk and by the IPSA Chief Executive. It will be important to keep this arrangement under review.

Reform of the expenses schemes in the devolved legislatures

12. The principles elaborated by the Committee in relation to the expenses scheme in Westminster apply equally to those in the devolved legislatures, allowing for their different circumstances. In practice, the arrangements in the Scottish Parliament and Welsh assembly were reviewed independently before our own inquiry. Those in Northern Ireland are currently being looked at by the Assembly Commission.

Scotland

13. An independent review of the expenses scheme for Members of the Scottish Parliament (MSPs) chaired by Sir Alan Langlands was completed in March 2008.³ The changes then made included the abolition of support for mortgage interest, a requirement that MSPs should declare whether they are employing a close family member and the cessation of support for family travel. The Scottish Parliament had earlier, in June 2006, begun routinely to publish receipts. A further review in 2009, chaired by Sir Neil McIntosh, resulted in further changes,⁴ including ending the employment of family members by MSPs and the adoption of a capital gains claw-back scheme for MSPs who had previously received public money to fund mortgage interest payments.
14. Administration of the scheme is conducted within the Scottish Parliament rather than, as now in Westminster, by an independent body. In the Scottish circumstances, this does not appear to have undermined public confidence in the rigour of the scheme.

³ Alan Langlands, et al., *Independent Review of Parliamentary Allowances: Report to the Scottish Parliamentary Corporate Body on the Reimbursement of Expenses for Members of the Scottish Parliament*, March 2008

⁴ Sir Neil McIntosh., *A Report to the Scottish Parliamentary Corporate Body on the Scheme for Reimbursement of Members' Expenses*, December 2009

Wales

15. A report on allowances for Welsh Assembly Members (AMs) by an Independent Review Panel, chaired by Sir Roger Jones,⁵ was published in July 2009. Its recommendations, most of which were implemented, were broadly consistent with those made for the Scottish Parliament by the Langlands review and for Westminster by our own inquiry.

Northern Ireland

16. In Northern Ireland, the Assembly Commission is currently conducting a review of its expenses regime. The last independent review was conducted by the Senior Salaries Review Body (SSRB) in 2008.⁶ Not all of the SSRB's recommendations were accepted. At present the arrangements for the Assembly still fall short of those in other UK legislatures in terms of openness. The Assembly does not currently publish on its website the guidance that it issues to MLAs on their expenses claims.

Review of local and London government

17. In December 2008, the Committee began an inquiry into leadership and accountability in local and London government. The intention was to review the impact of changes to the structure of leadership of local and London government and its decision-making arrangements on observance of the Seven Principles of Public Life, notably but not exclusively openness and accountability. This inquiry was suspended in March 2009 to allow the Committee to conduct its inquiry into MPs' expenses.
18. In view of the passage of time since the evidence was collected the Committee decided not to resume this inquiry. We instead published a short paper highlighting the main issues that arose in the evidence. One of the most important of these was the view that, in the promotion of high standards, the tone set by the top and the behaviour of leaders was as important as governance structures. Other common themes included the need to strengthen the quality of scrutiny by overview and scrutiny committees and by the London Assembly, and the importance of the system of checks and balances evolving to reflect changes in the way public services are delivered and commissioned, not least the increasing role of partnerships in determining priorities and delivering services. Curtailment of the inquiry meant that we did not reach the stage of producing firm recommendations. But we did identify a number of issues which we felt required further active consideration in order to improve public trust in local government and in local politicians. The Committee will continue to keep these areas under review. The Committee published a paper setting out these issues, which can be downloaded from our website www.public-standards.org.uk.

⁵ Sir Roger Jones, et al., *Getting it Right for Wales: An independent review of the current arrangements for the financial support of Assembly Members*, July 2009

⁶ Review Body on Senior Salaries, Report No. 67, *Northern Ireland Assembly: Review of Pay, Pensions and Allowances*, 2008

STANDARDS CHECK

Parliament

Peers' Expenses

19. In the Committee's 2008-09 annual report we commented favourably upon the Senior Salaries Review Body's (SSRB) recommendations for reforming the financial assistance available to members of the House of Lords, published in November 2009.⁷
20. *The House of Lords* initially accepted the principles and architecture of the SSRB's report, but subsequently decided to implement a much simpler arrangement under which members of the House of Lords will in future be able to claim a daily allowance of £300 which will cover all their housing, office and other costs, except travel. It will also be possible to claim a lower rate of £150 where peers are able to attend the House for only part of a sitting on a particular day.
21. In our twelfth report, the Committee recommended against the idea of a fixed daily allowance for accommodation costs in the House of Commons. But we recognise that the circumstances in the Lords are significantly different – many Lords attend only part-time, and Lords do not receive a salary. That said, it is important that safeguards are in place to ensure that claims are appropriate and to avoid the perception or reality of a 'clocking-on' culture prevailing.
22. The Leader of the House of Lords has indicated that the new scheme is intended to be interim – pending full constitutional reform of the upper-chamber – and its levels will not be reviewed this Parliament. Should any further adjustments be made, the Committee are firmly of the view that these should be done on the recommendation of an independent body. It is not appropriate for public office holders to decide the detail of their own pay and expenses.

Lobbying

23. Lobbying can be an integral part of the democratic political process. It is right for organisations and individuals to be able to present views and evidence to help inform and influence decision-making within government. The Public Administration Select Committee (PASC) noted in its January 2009 report on lobbying,

"Individuals and organisations reasonably want to influence decisions that may affect them, those around them, and their environment. Government in turn needs to access the knowledge and views that lobbying can bring."⁸
24. But the ability to lobby should not be constrained by who you know, or who can afford to pay to have access to legislators. Concerns arise where vested interests appear able to gain privileged access or exert undue influence over the outcome of decisions.

⁷ Senior Salaries Review Body, *Review of Financial Support for Members of the House of Lords*, November 2009 Cm 7746

⁸ Public Administration Select Committee, *Lobbying: Access and Influence in Whitehall*, December 2008 HC 36-I

25. In March 2010, allegations were made about the lobbying activities of a number of former government ministers. Investigations by the relevant departmental permanent secretaries found no evidence to substantiate claims that, in practice, decisions in government were inappropriately influenced by these activities. But the revelations risked further undermining public confidence in the integrity of Parliament and bringing MPs and public office holders more widely into disrepute.
26. The Committee last considered lobbying in detail in our sixth report in 2000.⁹ Our predecessors then argued against external regulation on the grounds that its benefits would be outweighed by the bureaucracy involved and “*could give the erroneous impression that only registered lobbyists offer an effective and proper route to MPs and Ministers.*” Since then events have moved on and the risks of failing to match the increased transparency in other areas of public life have become even more apparent. The Committee therefore supports the Government’s intention to introduce a statutory register of lobbyists as a useful step in improving transparency, complementing the greater transparency that now exists about whom ministers are meeting. But it remains the case that the ultimate protection against inappropriate lobbying is the determination of public office holders to behave with integrity.

Reform of the House of Commons

27. A House of Commons Reform Committee was established in 2009 to consider four issues – the appointment of select committee chairs and members, the appointment of the Chair and Deputy Chairs of Ways and Means, the method of scheduling business in the Commons and the potential for enabling members of the public to initiate debates and proceedings in the Commons. The Reform Committee’s report, *Rebuilding the House*¹⁰, brought forward proposals designed “*to make the Commons matter more, increase its vitality and rebalance its relationship with the Executive, and to give the public a greater voice in Parliamentary proceedings.*” Part of the immediate impetus for change was the public’s desire for a more open and accountable politics, as a result of the expenses scandal. We welcome the Government’s commitment to implement the report in full.
28. The Reform Committee was chaired by Dr Tony Wright MP, who stood down from Parliament at the last Election. We would like to take this opportunity to thank Dr Wright for his support and constructive criticism of this Committee’s work through his separate role as Chair of the Public Administration Select Committee.

Devolved legislatures

Northern Ireland Assembly standards framework

29. The standards framework for the Northern Ireland Assembly and for Northern Ireland Ministers differs in a number of respects from that in the Westminster Parliament. In particular, in Westminster there is an independent adviser who can be asked to investigate any alleged breaches of the Ministerial Code. There

⁹ *Reinforcing Standards: Review of the first report of the Committee on Standards in Public Life*, Sixth Report, January 2000 Cm 4771

¹⁰ HC1117

is no equivalent established procedure in Northern Ireland. When the First Minister there was recently alleged to have broken the Northern Ireland Executive Ministerial Code, the Finance Minister in the Executive established a one-off arrangement under which a government lawyer was asked for a legal opinion. The individual concerned found that no breach had occurred. The detailed judgement has not been published.

30. The Committee is disappointed that there are no plans to change this situation. We recognise the differences between the constitutional arrangements in Westminster and in the Northern Ireland Assembly. But we remain of the view that the Northern Ireland Executive should establish a formal mechanism for the independent investigation of any future alleged breaches of the Ministerial Code and that the reports of any such investigations should be made publicly available.

Local standards issues

System for determining councillor allowances

31. Local councillors are entitled to receive a basic flat rate allowance. They may also receive a special responsibility allowance where they assume significant responsibilities. The basic allowance is intended to recognise the time commitment made by all councillors as well as incidental costs such as the use of their homes. There are slightly different arrangements for determining councillor allowances in England, Wales, Scotland and Northern Ireland. All involve an external or independent element, but the extent to which this external or independent advice is binding varies.
32. Since 2001, all local authorities in England have been required to appoint local independent remuneration panels to review and provide advice on authorities' allowance schemes. Local authorities must have regard to this advice, but the recommendations of the panels are not binding.¹¹ Survey evidence indicates some variation in levels of both the basic and special responsibility allowances.¹² The National Assembly for Wales established an Independent Remuneration Panel in 2007 to establish maximum limits for Welsh local authorities. In Northern Ireland, maximum limits are set by the Northern Ireland Executive. In Scotland the salaries of councillors and their scheme of expenses and allowances are determined nationally in regulations issued under the Local Governance (Scotland) Act 2004.
33. The arrangements for determining allowances in England are therefore out of line with those in the rest of the UK in allowing both for local determination and for final decisions to rest with the authorities themselves without a requirement to stay within an independently determined maximum level. Large differentials currently exist in England between some local authorities. We believe that this issue warrants further exploration.

¹¹ The Local Authorities (Members' Allowances) (England) Regulations 2003

¹² Members' allowances survey 2008, National Foundation for Educational Research (NFER) on behalf of the Local Government Association (LGA) and Improvement and Development Agency (IDeA)

Local government standards framework

34. The Committee last looked in depth at the standards framework for local government five years ago.¹³ Significant changes to the standards framework in England have recently been announced by the new Government, including a commitment to abolish Standards for England. We await details of the proposed changes. The Scottish Government is also undertaking a review of the Councillors Code of Conduct for Scotland.
35. A local standards framework is vital to maintaining confidence in the integrity of local politicians. Where it is working well, it ensures that local councillors understand the standards of behaviour which are expected of them and that there are robust mechanisms in place to deter and deal with misconduct. The evidence from our reviews over the last 15 years indicates that this is best achieved through local ownership within a framework that ensures consistency of standards and proper enforcement.
36. While the precise shape and structure of the framework may change over time, and could vary in the different parts of the UK, we believe that the necessary components of the framework continue to be:
- A clear code of conduct which specifies what behaviour is acceptable and what is not.
 - An independent mechanism for dealing with the most serious breaches under the Code.
 - Some overarching mechanism to ensure that the regime is effective and consistent in upholding standards.
37. We remain concerned about the fact that Northern Ireland still does not have a statutory framework for ensuring high standards of conduct by local councillors. In our tenth report we recommended that this should be addressed on the re-establishment of devolved government. We understand that the Northern Ireland Executive is currently considering proposals for a new ethical standards regime and a mandatory code of conduct and expects to consult on them shortly.

Governance of local partnerships and grant funded bodies

38. In recent years, this Committee's work has largely focussed on national issues. But it is important that the Seven Principles of Public Life be embedded at all levels of the public sector. Different organisations will need to interpret the principles in ways which are appropriate to them. But all those who spend public money should be aware of their ethical responsibilities.
39. The Government has stated its intention to devolve more power to community groups. Devolution of public spending potentially increases the risk of more organisations with weak governance arrangements having control over public money. It is important that all those who spend public money are clear about the need to act with propriety and in accordance with the Seven Principles of Public Life. Governance requirements should not be so onerous as to deter individuals from getting involved. But they should provide a reasonable level of openness and accountability to allow community groups to be held to account locally, combined with proportionate external oversight.

¹³ Getting the Balance Right – Implementing Standards of Conduct in Public Life, Tenth Report Cm 6407

Ministers and civil servants

The Ministerial Code

40. Sir Philip Mawer, the independent adviser on ministerial interests, conducted his first investigation into an alleged breach of the ministerial code in May 2009. The investigation concluded that no breach had occurred. In our ninth report,¹⁴ in which the Committee recommended the establishment of the independent adviser, we proposed that reports of any investigation should be published. On this occasion we were surprised at the initial decision by the former Prime Minister not to publish Sir Philip's report and said so publicly. We were pleased that the Prime Minister made the full report available the next day.¹⁵ We hope that this will establish a precedent for routine publication of future reports.
41. In 2007, the previous Prime Minister gave the Committee the opportunity to comment on the new Ministerial Code before it was published. We are sorry that we were not given the same opportunity when the new Prime Minister published his revised Ministerial Code in May 2010.

Civil Service Commissioners

42. In our ninth report,¹⁴ the Committee recommended that the key principles of the Civil Service Code should be incorporated in legislation. We are therefore pleased that the Constitutional Reform and Governance Act 2010 has put the Civil Service Commissioners on a statutory footing. The Act also enshrines in statute the core civil service values of integrity, honesty, objectivity and impartiality, and requires civil servants to carry out their duties in accordance with these.

Freedom of information

Recent changes to the freedom of information legislation

43. The Constitutional Reform and Governance Act provides for a transition from a 30-year rule to a 20-year rule governing the point at which government papers of historical significance are transferred to the National Archives. The Act has also made some changes to the point at which some of the Freedom of Information Act exemptions cease to have effect. The Committee welcomes the move towards more open government in the longer term.
44. The new Government has announced its intention to extend the scope of the Freedom of Information Act and to increase transparency on public spending and access to publicly owned data. We will monitor these developments with interest.

Use of the ministerial veto

45. The previous Government invoked the executive override provided by section 53 of the Act twice in 2009.

¹⁴ Defining the Boundaries within the Executive: Ministers, Special Advisers and the permanent Civil Service, Ninth Report Cm 5775

¹⁵ A copy of the report can be found online at:

http://webarchive.nationalarchives.gov.uk/20090704001823/http://cabinetoffice.gov.uk/media/213826/sir_philip_mawer090611.pdf

The first ever use of the veto was to prevent the disclosure of Cabinet minutes of the Attorney General's legal advice on military action against Iraq, on the grounds that it would be contrary to the public interest, damaging to the doctrine of collective responsibility and detrimental to the effective operation of Cabinet government. The second related to a decision notice which ordered the disclosure of minutes of the Cabinet Ministerial Committee on Devolution to Scotland and Wales and the English Regions of 1997. In both instances the statements issued stressed their exceptional nature.

46. We note that the Information Commissioner was:

"concerned that the Government may routinely use the veto whenever he orders the disclosure of the minutes of Cabinet proceedings, irrespective of the subject matter or age of the information."¹⁶

The Committee will continue to monitor developments in this area.

Electoral administration

Role of the Electoral Commission

47. The Committee's eleventh report,¹⁷ published in 2007, made a number of recommendations about the mandate, governance and accountability of the Electoral Commission and the integrity of the electoral system in the United Kingdom. Some have been implemented, including strengthening the regulatory powers of the Electoral Commission in relation to political finance and appointing four new Electoral Commissioners with a recent political background. Other important recommendations have, however, yet to be accepted.
48. In particular, we recommended that the Commission should become the regulator of electoral administration as well as of political finance and that statutory regional electoral officers should be appointed with responsibility for ensuring the delivery of consistently high standards of electoral registration and administration in their areas. Neither of these recommendations was accepted at the time. The Electoral Commission only has responsibility for 'monitoring' performance standards in Great Britain in relation to electoral administration.
49. In the light of the problems encountered at the recent elections, and the continuing variability in outcomes both in relation to the running of elections and in the completeness and accuracy of electoral registers, the Committee believes that the status quo is no longer sustainable. Our firm view remains that the Electoral Commission should be strengthened, including by being given more appropriate regulatory powers, and that the fragmented and over-localised arrangements for electoral administration and registration should be given a serious overhaul.

Individual voter registration

50. Our eleventh report also recommended the introduction of individual voter registration. The Committee

¹⁶ Statement by the Information Commissioner, 10 December 2009,

¹⁷ Review of the Electoral Commission, Eleventh Report, January 2007 Cm 7006

takes the view that the current system of household registration is no longer appropriate as a means of establishing an accurate and comprehensive electoral register. It leaves the electoral system more open than necessary to abuse and fraud, particularly when combined with increased postal voting, and it is inconsistent with the view that in a modern, democratic society eligible individuals should take personal responsibility for registering to vote.

51. The Political Parties and Election Act 2010 made provision for individual registration being fully operational in Great Britain by 2017. The new Government has indicated that it plans to speed up this timetable. The Committee welcomes this development, while continuing to recognise the importance of improving the accuracy and completeness of the register at the same time.

The funding of political parties

52. The Committee's remit explicitly includes the funding of political parties. Our fifth report,¹⁸ published in 1998, laid the framework for the funding regime that currently exists. That regime is now widely believed to require overhauling in a number of important respects, particularly in relation to the risk that significant donations from wealthy individuals or from trade unions have the potential, real or perceived, to influence political outcomes or purchase position. The Committee's 2008-09 annual report expressed disappointment at the lack of progress in finding a solution to these issues following the breakdown in 2007 of negotiations between the three main political parties on the basis of a set of proposals formulated by Sir Hayden Phillips.
53. All three of the main political parties anticipated reform of the party funding arrangements in their manifestoes for the last election. The Committee believes that there is therefore a real opportunity to address the issues again. It is important that they should be approached in a non-partisan way and on the basis of principle. We have therefore decided to hold an inquiry on the subject. As a first step we held an exploratory public hearing on 8 July at which representatives from the political parties and others gave evidence. The Committee will publish an issues and questions paper and a request for evidence in the autumn.

¹⁸ The Funding of Political Parties in the United Kingdom, Fifth Report, October 1998 Cm 4057