

Mr Willie Rennie: Resolution Letter

Letter to Mr Thomas Docherty MP from the Commissioner, 27 May 2010

I have now concluded my consideration of the complaint you sent me on 24 June 2009 about the office expenses of Mr Willie Rennie.

In essence, your complaint was that the costs which Mr Rennie claimed against the Incidental Expenses Provision (IEP) for his constituency office and certain office equipment while a Member of Parliament were not wholly, exclusively and necessarily incurred on his parliamentary duties and helped to meet the costs of party political activities, contrary to the rules of the House. As you know, I did not accept your complaint about the alleged use of Mr Rennie's text messaging service.

I am sorry that this inquiry has taken longer than I would have wished, but I thought it right to ensure that it was sufficiently thorough to enable me fully to establish the facts. In doing so, I consulted extensively with Mr Rennie and the House authorities about this matter and carefully examined a wide range of documents and invoices which were made available to me.

I will deal first with Mr Rennie's claims against the IEP for his then constituency office. Mr Rennie had three different constituency offices after his election in February 2006, and made claims in respect of each of these. I have checked on the arrangements for all three.

Mr Rennie's first office, which he vacated at the end of May 2006, was sublet from the Scottish Liberal Democrats, who had rented it from the Council for use as a by-election headquarters. His evidence is that the party did not share that office with him. He made payments to the Scottish Liberal Democrats from his IEP in respect of rent, rates and a service charge. These payments were equivalent to those levied by the Council on the mid landlord, the Scottish Liberal Democrats.

While occupying his first office, Mr Rennie found permanent premises on the second floor of 1 High Street, Dunfermline. But these premises required renovation by the landlord and so were not available for him to use until the beginning of September 2006. In the intervening period, Mr Rennie rented another office also in 1 High Street. He paid the rent for this second office from his IEP direct to the building management company. His political party did not share that office with him.

Mr Rennie occupied his third property in September 2006. This was leased by Dunfermline Liberal Democrats from 1 September 2006, and was formally sub-let by them to Mr Rennie and the then MSP from that date to 31 August 2009. It was occupied by Mr Rennie, the MSP and Dunfermline Liberal Democrats. The initial rent specified in the sub-lease was £8,000 a year. The sub-lease provided "*for the avoidance of doubt*" that Mr Rennie was required to pay a minimum share of 70% of the rent, and had an exclusive right to occupy a 70% share of the premises. A new sub-lease, covering the period from 10 May 2007 to 31 August 2009 and on similar terms to the original, was entered into with Mr Rennie and a new MSP after the Scottish parliamentary elections. I have seen copies of both leases, and also of a contemporary independent valuation which suggested that a fair leasehold value for the property was £8,000 per annum. Mr Rennie's evidence is that he lodged the valuation with the House authorities when the lease began although they have no record of having received it at the time. In the event, the initial rent charged by the landlord to the Dunfermline Liberal Democrats was £7,050 per annum.

The terms of the sub-lease appear in practice to have been overtaken by a more comprehensive understanding between Mr Rennie, the MSP and Dunfermline Liberal Democrats on the sharing of office costs generally. Under this, the total shared office costs, including the rent paid to the landlord by Dunfermline Liberal Democrats, were to be split 60% for Mr Rennie, 30% for the MSP and 10% for Dunfermline Liberal Democrats. This division of costs took account both of space occupied by those involved, and of their use of common facilities and services such as the telephone, energy, etc. This understanding continued when the MSP changed following the Scottish parliamentary election. No formal agreements were drawn up by those involved in either case, and thus none was deposited by Mr Rennie with the Department of Resources, as required by the Green Book.

For the remainder of the 2006-07 financial year, bills for office costs were paid directly by Mr Rennie and Dunfermline Liberal Democrats, with a contribution from the MSP for his share. Mr Rennie's evidence is that it was agreed that, for simplicity, Dunfermline Liberal Democrats would from April 2007 meet all the office costs, and charge him and the MSP an all-in sum to cover their respective shares.

From April 2007 to March 2009, Mr Rennie made quarterly payments of £3,000 from his IEP to meet his assessed share of the costs of the office. From September 2007, these were made quarterly in advance. From April 2009, the payments were reduced by Mr Rennie to £2,600 per quarter, to reflect the reduction of business rates to zero and more settled electricity and phone billing. No provision was made for any periodic reconciliation of the payments made by Mr Rennie to the actual costs incurred by Dunfermline Liberal Democrats in running the office. Mr Rennie also paid an additional £2,000 to the Dunfermline Liberal Democrats in February 2008. He told me that this payment was in respect of the previous financial year, and that it related to a telephone bill, charges for common areas shared with other tenants in the building, and a disputed electricity bill from that period.

During the period covered by this complaint, Members were permitted to rent offices from their local party organisation. Mr Rennie supplied me with a breakdown of the costs which he says were incurred either by himself or by the Dunfermline Liberal Democrats in the running of the office, and of the payments made by himself and by the successive MSPs. I have examined these, and have considered carefully whether Mr Rennie's claims against the IEP for his constituency office were at a level which may also have covered some of the expenses of his political party. I have seen no evidence to suggest that the proportion of the costs which Mr Rennie agreed to meet was unreasonable. This allocation of costs appears to have been based on objective criteria, including space occupied and relative use of facilities and services. The key question here therefore, is whether the proportion of the expenses met by Mr Rennie from his IEP exceeded the 60% of eligible office costs which he was required to meet. I have found that in 2006-07, Mr Rennie met 43% of eligible costs, in 2007-08, 67%, and in 2008-09, 69%. Overall, from September 2006 to March 2009, I have found that Mr Rennie met 63% of total eligible costs. This amounts to a net overpayment by him from his IEP of 3% or £1,391 compared to the contribution he was required to make.

I turn now to the purchase of the risograph. At the relevant time, the House authorities permitted Members to use their allowances to share the costs of certain equipment with their local party organizations, so there is no reason in principle why Mr Rennie should not have contributed from his IEP to the cost of purchasing a risograph for shared use. In this case, the facts are that Mr Rennie and the Dunfermline Liberal Democrats jointly purchased a risograph and a folding machine in April 2007. Mr Rennie contributed 60% of the purchase cost (£3,768) from his IEP, and the Dunfermline Liberal Democrats contributed the remaining 40%, which amounted to £2,512. I have seen copies of the supplier's invoices both to Mr Rennie and to the local party which confirm this. The maintenance costs were shared likewise. This division of costs was based on the expected proportion of likely use. No log book of usage was kept. In my view, it would have been sensible for the parties to have kept one. Nor was any formal agreement drawn up to cover the basis of the shared use, so Mr Rennie had not deposited one with the Department of Resources, as required by the Green Book. Mr Rennie tells me that each user met their own costs of printing materials.

Mr Rennie has given me estimates which suggest that in the period to the Dissolution of Parliament the Dunfermline Liberal Democrats' usage of the equipment was in fact closer to 60%. He nevertheless believed that over the lives of the two machines usage would reflect a 60:40 split between himself and the party respectively. I have considered whether, given the difference between the actual pattern of usage and the pattern anticipated at the time of purchase, the constituency party benefited unreasonably from the contribution made by Mr Rennie from his parliamentary allowances to the purchase costs of the risograph and folding machine. Had the purchase costs been shared in the proportion of actual use in the first three years, Mr Rennie's contribution would have been around £2,512, about £1,256 less than his actual contribution. I consider this a more accurate reflection of the costs of the purchase of this equipment based on subsequent actual usage.

I have considered how best to resolve this complaint in the light of this summary of the evidence. I have accepted that there is no evidence that the proportion of the costs that Mr Rennie agreed to meet was unreasonable or that his arrangements were intended to benefit his political party. Mr Rennie has accepted however that he was in breach of the rules because he had not concluded and lodged with the House authorities the required sharing agreements in respect of the risograph and the other office costs; and because

his claims from the IEP were for £1,391 more than his share of the office costs from September 2006 to March 2009 and £1,256 more than his share of the costs for the purchase of the risograph and folding machine, given its use in the first three years of its life. Mr Rennie has agreed to repay these costs, amounting to £2,647. Mr Rennie has also apologised for these breaches of the rules. I consider that Mr Rennie has taken the necessary action in response to your complaint and I now regard the matter as closed. I will report the matter in due course to the Committee on Standards and Privileges.

If the House agrees to a recommendation made in the last Parliament, this letter, and the evidence collected in the course of my inquiry, would in due course be made available on my parliamentary webpages.

I am copying this letter to Mr Willie Rennie.

27 May 2010

Mr Willie Rennie: Written Evidence

1. Letter to the Commissioner from Mr Thomas Docherty, 24 June 2009

I write to you with reference to the actions of the above-named member. I have both reason and documentary evidence to believe that Mr Rennie has breached sections 7, 14, and 15 of the Code of Conduct for Members of Parliament in a number of distinct ways.

As a local resident, I am therefore asking you to investigate three separate issues that have come to light under the powers of your office.

The matters have been reported in the *Sunday Herald, Scotland on Sunday*, and the *Courier* newspapers. Copies are attached to this letter.¹

The first matter relates to a sudden and unusual increase in the rent paid by Mr Rennie for his parliamentary office in Dunfermline, the effect of which sees the Dunfermline Liberal Democrats benefit to the tune of £10,000 per annum by acting as sub-leaser.

The second matter relates to the purchase and subsequent use of a risograph and folding machine, the ownership of which is a matter of material dispute and regarding which Mr Rennie has provided varying and mutually exclusive answers.

The third matter relates to the shared use of a telephone text messaging service in which parliamentary costs subsidised the use of the service for party campaigning.

1. Mr Rennie's office

Mr Rennie rents an office at 1 High Street, Dunfermline. Mr Rennie has remained at this office since his election in 2006.

Documents show that in Mr Rennie's Incidental Expenditure Provision from 2005-6, he claimed for rent of his office for £1650 per quarter from Dunfermline Town Centre Management Ltd, and then subsequently £1699.96 per quarter from an unnamed source.

Mr Rennie submitted a receipt from a firm of solicitors dated 11 April for “professional services taking your instructions—attempting to negotiate various leases; offering for and negotiating lease....”.

On 1 April 2007, Mr Rennie changed his claims for rent to £3000 per quarter, settled by way of a bill of 13 September 2007 for £6000. Mr Rennie then requested a regular payment of £3000 per quarter to the Dunfermline Liberal Democrats for rates, rent and telecoms until further notice.

It is submitted that the effect of the renegotiation of this lease is that the Dunfermline Liberal Democrats became the tenant of 1 High Street, Dunfermline, and that they as tenant then sub-let Mr Rennie's office to him.

In February 2008, he submitted an additional claim for £2000 from the Dunfermline Liberal Democrats for electricity and telecoms.

It is therefore submitted that Mr Rennie's complex renegotiation of his lease for the same property was done in order to provide a financial advantage to the local branch of his political party.

Further indication of this is provided in the annual accounts submitted by Dunfermline Liberal Democrats in 2007 and 2008 to the Electoral Commission.

¹ Not included in the evidence.

The accounts show that the building containing Mr Rennie's office is managed by the Liberal Democrats on behalf of Mr Rennie, Mr Jim Tolson MSP, and the local party. The office is therefore split three ways.

The total outgoing for the three-way office for the year ending December 2007 was:

Rent — £5869

Rates — £3993

Phone — £3011

Power — £3594

Total — £16,467

The accounts show that the rent from the MP and MSP totalled £21,026 — of which Mr Rennie provided £14,148.

It is submitted that had Mr Rennie's rent not increased to from £1699 per quarter to £3000 per quarter, and assuming an equitable three-way split for rent, rates, power and telecoms, the actual cost of renting and running his office would be in the region of £5,231 per year. This means that because the lease was changed, the Dunfermline Lib Dems made an annual profit in 2007 of £8,917 by acting as an agent for the landlord and subletting the office.

The same calculation, using the 2008 figures, shows a profit for the Dunfermline Liberal Democrats of in excess of £9,200.

It is clear that Mr Rennie's decision to renegotiate the lease for his office, and agree to pay a higher amount to his local political party branch, has directly cost the taxpayer in excess of £18,000 over a two year period. It is submitted that Mr Rennie's complex arrangement, whereby his local party took over an existing lease and doubled the rent to the occupier, led to financial advantage for his party.

2. The purchase of printing equipment by Mr Rennie

The Scottish Parliament elections were held on 3 May 2007. On 1 April, one month before the election, Mr Rennie purchased a risograph capable of printing 7,200 colour leaflets per hour at a cost of £2,784,75, and a similarly high-powered folding machine at a cost of £983.48.

Mr Rennie claimed for the full amount for both machines from his Incidental Expenses Provision.

It is submitted that the purchase of the machines on the eve a hotly contested election is suspicious and inadvisable for a Member of Parliament who should be beyond reproach. It is hard to conceive of such a pressing parliamentary requirement for such machines that they could not have been purchased after the election just four weeks later.

The Dunfermline Liberal Democrats submitted their annual statement of account for the year to 31 December 2007 to the Electoral Commission in the usual fashion. The accounts state that:

“The year was characterised by a major distribution of literature, before during and after the elections, on behalf of our MP Willie Rennie, our MSP Jim Tolson and our eight councillors...In 2007 we shared in the purchase of a risograph and folding machine...”

Questioned by the *Sunday Herald*, Mr Rennie initially denied that the machine purchased through his expenses had been used for election purposes, but then conceded it was used for election purposes.

Asked if the Risograph was used in the 2007 election, he initially said: “It was not used for election purposes.” But moments later, he said: “I can tell you the Risograph was used for electoral purposes because it is partly owned by the local party.”

"It was used by them for that purpose because they own 40% of it and they are entitled to use it during that period. That is well within the rules."

It is submitted that Mr Rennie has used parliamentary funds for party purposes, and that this is a serious breach of the rules. As a senior campaigning advisor to the Liberal Democrats, Mr Rennie should have been even more conscious of the rules than colleagues.

3. The use of a text messaging service

[Not accepted for inquiry]

4. The rules it is submitted Mr Rennie has broken

Paragraph 7 of the Code: General Principles of Conduct

This section of the Code states that *"in carrying out their parliamentary and public duties, Members will be expected to observe the following general principles of conduct identified by the Committee on Standards in Public Life in its First Report as applying to holders of public office"*

It is submitted that Mr Rennie has breached the principle of *"selflessness"*. The code makes clear that *"Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends."*

It is not in the public interest for Mr Rennie to make a decision to change the leases of his office, and to charge the taxpayer for so doing, and to increase the burden for the provision of his offices on the taxpayer.

Paragraph 14 of the Code: Rules of Conduct

This section of the Code stipulates that *"Members shall at all times ensure that their use of expenses, allowances, facilities and services provided from the public purse is strictly in accordance with the rules laid down on these matters."*

It is submitted that Mr Rennie breached the following sections of the Rules that were in force at the time in question (the edition of the Green Book published in 2006):

Part 5.1.1 scope of allowance

"The Incidental Expenses Provision (IEP) is available to meet costs incurred on Members' Parliamentary duties. It cannot be used to meet personal costs, or the costs of party political activities or campaigning."

Mr Rennie has used the IEP to meet the costs of party political activities and campaigning in respect of each of the three issues raised above.

5.3.2 only on parliamentary duties

"Even if an item is listed in the category of allowable expenditure, it is only allowable if the spend is wholly, exclusively and necessarily incurred on Parliamentary duties."

Mr Rennie's purchase of printing equipment has not been wholly and exclusively used for parliamentary duties. Indeed, by his own admission, it has been used for parliamentary campaigning.

...

5.12.1. Principles

"You must ensure that arrangements for your office and surgery premises are above reproach and that there can be no grounds for a suggestion of misuse of public money."

Mr Rennie has breached this section because the rental agreements for his office are clearly not above reproach and there are clear grounds for a suggestion of misuse of public money.

5.12.2. Propriety

"You must avoid any arrangement which may give rise to an accusation that you—or someone close to you—is obtaining an element of profit from public funds; or that public money is being diverted for the benefit of a political organisation."

Mr Rennie has provided work to a firm of solicitors whose partner was a Liberal Democrat council candidate in his constituency in 2007, and may indeed have benefited from use of the controversial printing equipment.

It is very clear that in respect of each of the three complaints above, public money has been diverted for the benefit of a political organisation.

5.12.5. Contracts for staff, services etc in combination with accommodation

"You must negotiate a separate contract for accommodation and another one for services (eg: staffing, telephony, use of photocopiers etc). Any agreement for staffing facilities and/or services, and the charges, must be set out in writing separately from any agreement for accommodation. Charges must be for actual, not nominal, services, and the service charges must accurately reflect the levels of service provided."

Mr Rennie has submitted a quarterly bill to his local party for rent, rates, power and telephony. The bill is £3000 per quarter irrespective of the cost of these things. It is infeasible that the costs of power and telephony is exactly the same each month, and no bills are provided, so Mr Rennie has not ensured that the charges are for actual services provided or that the charges reflect the levels of service.

5.13.4 Communications and travel

"Expenditure not allowable: Campaigning on behalf of a political party or cause"

It is clear the by his own admission Mr Rennie has used the printing equipment ... for campaigning on behalf of a political party. It is also submitted that Mr Rennie uses the inflated rent to campaign on behalf of a political party.

Paragraph 15 of the Code: Rules of Conduct

"Members shall at all times conduct themselves in a manner which will tend to maintain and strengthen the public's trust and confidence in the integrity of Parliament and never undertake any action which would bring the House of Commons, or its Members generally, into disrepute."

It is submitted that Mr Rennie, by virtue of his actions, has not conducted himself in a manner which has strengthened the public's trust and confidence in the integrity of Parliament.

I therefore look forward to hearing from you and would be delighted to assist your enquiry in any way I can.

24 June 2009

2. Letter to Mr Willie Rennie MP from the Commissioner, 29 June 2009

I would welcome your help on a complaint I have received from Mr Thomas Docherty about the arrangements for your parliamentary office in Dunfermline.

I attach a copy of the complainant's letter to me of 24 June.² In essence, the complaint is that the costs you claimed against the Incidental Expenses Provision for your constituency office and certain office equipment were not wholly, exclusively and necessarily incurred on your parliamentary duties and helped to meet the

² WE 1

cost of party political activities, contrary to the rules of the House. I have not accepted Mr Docherty's complaint about the alleged use of your text-messaging service.

The Code of Conduct for Members of Parliament provides in paragraph 14 as follows:

"Members shall at all times ensure that their use of expenses, allowances, facilities and services provided from the public purse is strictly in accordance with the rules laid down on these matters, and that they observe any limits placed by the House on the use of such expenses, allowances, facilities and services."

The Green Book sets out the rules for claims against the Incidental Expenses Provision, which include office and equipment costs. The relevant Green Books would appear to be the editions published in April 2005 and in July 2006.

In Mr Speaker Martin's introduction to both editions, he wrote as follows:

"Members themselves are responsible for ensuring that their use of allowances is above reproach. They should seek advice in cases of doubt and read the Green Book with care. In cases of doubt or difficulty about any aspect of the allowances or how they can be used, please contact the Department of Finance and Administration. The Members Estimate Committee, which I chair, has recently restated the Department's authority to interpret and enforce these rules."

The rules in relation to the Incidental Expenses Provision are set out in Section 5. For the purpose of this summary, I shall quote from the April 2005 edition, although the references are the same as the July 2006 edition. The scope of the allowance is set out in paragraph 5.1.1 as follows:

"The incidental expenses provision (IEP) is available to meet costs incurred on Members' Parliamentary duties. It cannot be used to meet personal costs, or the costs of party political activities or campaigning. The paragraphs which follow outline the main areas of expenditure which we recognise as incurred in supporting these duties, but it is each Member's responsibility to ensure that all expenditure funded by the IEP is wholly, exclusively and necessarily incurred on Parliamentary duties."

Allowable expenditure is set out in paragraph 5.3.1 as follows:

"The IEP may be used to meet the following expenses:

- ❖ *Accommodation for office or surgery use—or for occasional meetings*
- ❖ *Equipment and supplies for the office or surgery*
- ❖ *Work commissioned and other services*
- ❖ *Certain travel and communications.*

In addition, you may transfer money from the IEP to the staffing allowance to meet staffing costs."

And in paragraph 5.3.2:

"Section 5.13. lists examples of allowable and non-allowable expenditure under these headings. Even if an item is listed in the category of allowable expenditure, it is only allowable if the spend is wholly, exclusively and necessarily incurred on Parliamentary duties. For, further guidance please contact the help numbers above."

The principles of the rules on the arrangements for Members' constituency offices is laid out in paragraph 5.12.1 as follows:

"You must ensure that arrangements for your office and surgery premises are above reproach and that there can be no grounds for a suggestion of misuse of public money."

And in 5.12.2, under the heading 'Propriety', the paragraph provides:

"You must avoid any arrangement which may give rise to an accusation that you—or someone close to you—is obtaining an element of profit from public funds; or that public money is being diverted for the benefit of a political organisation. The allowances must not be used to meet the costs of leasing accommodation from:

- ❖ *Yourself (But see paragraph 5.12.9. on using an office in your home)*
- ❖ *A close business associate, or any organisation in which you - or a partner or family member - have an interest*
- ❖ *A partner or family member (which includes relatives by blood and by marriage.)"*

Paragraph 5.12.3 provides:

"If the accommodation is leased from a political party or a constituency association, you must ask an independent valuer to assess the property in order to ensure that it is being rented at no more than the market rate. See also paragraph 5.12.5. on agreements for accommodation and services in combination."

Paragraph 5.12.6 deals with sharing arrangements between Members and Members of Devolved Bodies as follows:

"Secure separate billing arrangements wherever possible. Where separate billing is not feasible you must lodge with the Department a copy of the agreement setting out how the costs will be divided. If one Member agrees to meet the costs in full initially, and to recover from the other parties to the arrangements you must lodge with the Department the agreement to do this.

The sums recovered must be remitted to the Department for credit to the incidental expenses provision."

Paragraph 5.12.8 sets out the documentation required as follows:

"You must lodge a copy of the following with the Department of Finance and Administration

- ❖ *A copy of your lease and any sublease*
- ❖ *A copy of a recent independent valuation (required only if you lease from a political organisation or if you sublet part of the premises)*
- ❖ *A copy of any agreement for cost sharing (required only if you share with another Member, with a Member of a devolved body or a MEP)*
- ❖ *A copy of any agreement for services with your constituency association or other party political organisation.*

You must also inform the Department of any alterations to the terms of these."

Paragraph 5.13.3 includes as allowable expenditure the following:

- ❖ *"Purchase or lease of photocopiers, faxes, scanners, phones and other office equipment, including computers*
- ❖ *Purchase of office furniture*
- ❖ *Purchase of stationery and consumables*
- ❖ *Purchase of hardware and software."*

I would welcome your comments on this complaint in the light of this summary of the relevant rules. In particular, it would be helpful to know:

1. the initial arrangements you made for the rent of your constituency office following your election in 2006, including why you made those arrangements, the identity of the landlord, the rental costs, what these covered and the accommodation provided;
2. whether, and if so why, these arrangements changed in 2006-07 and the nature of these changes, including the reasons for any increase in rental costs;
3. whether, and if so why, these arrangements changed in 2007-08 and the nature of these changes, including the reasons for any increase in rental costs;
4. why there was apparently a supplementary charge of £2000 in 2007-08 for telephone and electricity costs;
5. what were the arrangements you had for sharing the accommodation with Mr Jim Tolson MSP, and in particular how you apportioned the costs between you;
6. what arrangements you had for sharing the accommodation with your local party and how you apportioned the costs between you;
7. whether you had an independent valuation of the property on each occasion that the rent or ownership changed, and, if so, what the valuation was, and whether it was independently assessed as being at no more than the market rate;
8. whether and when you lodged with the then Department of Finance and Administration successive copies of the lease, the valuations and any cost-sharing agreements with Mr Jim Tolson MSP, together with copies of the relevant documents, if available;
9. why you decided to purchase a Risograph and folding machine in 2007-08, the cost, the use to which these were put, including any use for party political activities and, if so, how far the costs were shared, together with supporting documentation;

whether you consulted the House authorities about any aspects of these arrangements at any time and, if so, what advice you received.

Any other points you may wish to make would, of course, be most welcome. I enclose a note which sets out the procedure I follow. I have written to the complainant to let him know that I have accepted his complaint and am writing to you about it.

I would be grateful if you could let me have a response within the next three weeks. If there is any difficulty about this, or you would like to have a word about any aspect of this matter, please contact me at the House.

Thank you for your help on this.

29 June 2009

3. Letter to the Commissioner from Mr Willie Rennie MP, 14 July 2009

Thank you for the opportunity to respond to the complaint made by Mr Thomas Docherty, the Labour Party Candidate for Dunfermline and West Fife.

Dunfermline Liberal Democrats has not profited from the payments from my allowances or those of MSP Jim Tolson or former MSP Andrew Arbuckle. Mr Docherty has made an accounting error in his calculations by not including all office costs and has only included two financial years as defined by the Electoral Commission when the period should have covered three as defined by the Parliament.

Over the financial years 06/07, 07/08 and 08/09 Dunfermline Liberal Democrats received £42,777.20 from Jim Tolson, Andrew Arbuckle and myself for office costs and spent £47,335.78 on providing that service. That is an excess of expenditure over income of £4,558.58. The total figure for three years is important as payments

and receipts can often overlap between financial years. (Dunfermline Liberal Democrats fully complies with the Electoral Commission rules and the submissions to that body show its detailed expenditure).

By only considering rent, rates, power and phone as office costs Mr Docherty has excluded approximately £7,000 of expenditure and charges over three parliamentary financial years. This includes freepost service usage, management and service charge, recycling/shredding, alarm servicing, independent accounts examination, boiler repair, paper, ink, insurance and office advertising and signage.

The table below sets out the details of income and expenditure for Dunfermline Liberal Democrats. It clearly shows that Dunfermline Liberal Democrats has not profited from payments for office costs including the additional charge for electricity and phones.

The risograph machine was a shared purchase between Dunfermline Liberal Democrats and me. I have only used the machine for parliamentary communication purposes in my role as Member of Parliament.

In my office and other parliamentary arrangements I have always sought to provide best value for the tax payer. Hence the one-stop-shop office and the cost effective printing facility.

To answer your specific questions:

1. Following my election in February 2006 I had a series of transitional office arrangements until I became settled in 2nd Floor, 1 High Street, Dunfermline on 1st September that year. I initially sublet from the Scottish Liberal Democrats at Forth House, Inverkeithing from 10th February until 10th May 2006. I paid the Scottish Liberal Democrats for rent, rates and a service charge and I met all other costs from my parliamentary allowances. This had been the party's by-election headquarters and it was convenient for me to rent this for a short period until I found a more central and suitable location.
2. I subsequently found an ideal location in the centre of Dunfermline but unfortunately it wasn't in a suitable condition and required renovation which the landlord undertook whilst I used another office in the same building. From the 11th May until the 1st September I paid most costs for the first floor, 1 High Street directly from my parliamentary allowances.
3. On 1st September Andrew Arbuckle (MSP for Mid Scotland and Fife), Dunfermline Liberal Democrats and I moved into the newly renovated suite of offices on the 2nd floor of 1 High Street. For the remainder of the parliamentary financial year the bills were paid directly by me and Dunfermline Liberal Democrats (with a contribution from Andrew Arbuckle for his share). A full repairing lease was signed with Dunfermline Liberal Democrats as the main tenant and Andrew Arbuckle and me as sub tenants. A copy of the lease is attached.³
4. In the new parliamentary financial year it was agreed that, for simplicity, Dunfermline Liberal Democrats would pay all the office costs and charge myself and Andrew Arbuckle an all-in fee. After the Scottish Parliamentary Elections in May 2007, when Andrew Arbuckle ceased being an MSP and Jim Tolson won Dunfermline West, Jim Tolson agreed to continue with those arrangements. The costs were split 60% for me, 30% for Andrew Arbuckle/Jim Tolson and 10% for Dunfermline Liberal Democrats. Mr Docherty has wrongly asserted that the rent doubled when in fact the increase in payments from me and my Scottish Parliament colleagues was as a result of the inclusion of other office costs. A new lease was signed with Dunfermline Liberal Democrats as the main tenant and Jim Tolson and me as sub tenants. A copy of the lease is attached. ⁴The proportion of the costs is different from the proportion of the office space to reflect the use of energy, phone etc.
5. The supplementary charge at the end of the 2007/8 financial year was made for two reasons. Firstly, there was a dispute with BT and this was not resolved until Dunfermline Liberal Democrats had started to pay all the bills for the running of the office. Dunfermline Liberal Democrats therefore paid these invoices and recovered the costs. Secondly, the amount budgeted for electricity was underestimated (electricity prices

³ Not included in the evidence.

⁴ Not included in the evidence.

rose dramatically during that period) and there was an extended discussion with the other tenants in the building over the charges for the common areas. Therefore the invoices were presented later and were higher than expected. Hence the additional charge.

6. An independent valuation of 2nd Floor, 1 High Street, was undertaken and the assessment is attached. ⁵It reflects the rent charged. In fact the independent valuation determined a figure of £8,000 rent but only £7,050 was charged by the landlord.
7. The risograph and folding machine were joint purchases to provide a cost effective printing and folding facilities for me as MP through the Communications Allowance. The purchases were shared with the Dunfermline Liberal Democrats on a 60/40 basis in the 2007/8 financial year when the Communications Allowance was introduced. I used the machines for Communication Allowance functions including communications on matters such as the Royal Mail post office closures, summer tour handouts, Forth Road Bridge replacement, Rosyth By-pass, city centre surveys, surgery posters, Kincardine Railway and many more. The folding machine is useful for folding letters for larger runs of mailshots and leaflets. I enclose a copy of the invoices for the purchase of the machines by me. ⁶There was separate invoice for Dunfermline Liberal Democrats for their 40%.
8. I and my staff have had regular discussions with the Department of Finance and Administration with regards all my arrangements and have followed any advice given.

To assist my explanation of the arrangements below is a table of income and expenditure associated with Dunfermline Liberal Democrats running of the office. ⁷

I have endeavoured to provide all the detail that you may require but I would be pleased to provide further information on request including the copies of invoices.

14 July 2009

4. Dunfermline Liberal Democrats' income and expenditure for Dunfermline office

INCOME				
Parliamentary financial year	Date	Income	Description	£
2006-2007	Apr-06	Andrew Arbuckle	Office	3794.94
2006-2007	Feb-07	Willie Rennie	Office	2149.26
			Total	5944.20
2007 -2008	Sep-07	Willie Rennie	Office	6000
2007-2008	Sep-07	Willie Rennie	Office	3000
2007-2008	Dec-07	Willie Rennie	Office	3000
2007-2008	Feb-07	Willie Rennie	Extra electricity and phone	2000
2007-2008	May-07	Jim Tolson	Office	3083
2007-2008	Jan-08	Jim Tolson	Office	1850
2007-2008	Mar-08	Jim Tolson	Office	1850
			Total	20, 783
2008-2009	Apr-08	Willie Rennie	Office	3000
2008-2009	Jun-08	Willie Rennie	Office	3000

⁵ WE5.

Not included in the written evidence. The cost of the risograph was £2,784.75 including VAT, and that of the folding machine was £983.48 including VAT.

⁷ WE 4

2008-2009	Sep-08	Willie Rennie	Office	3000
2008-2009	Dec-08	Willie Rennie	Office	3000
2008-2009	Jul-08	Jim Tolson	Office	1850
2008-2009	Oct-08	Jim Tolson	Office	1850
2008-2009	Jan-09	Jim Tolson	Office	350
			Total	16,050

Expenditure		2006-2007	2007-2008	2008-2009
Rates		1760.33	2976.445	690
Rent		4111.5	7,050	7050
Phone		844	4065.21	2941.67
Power			4380.17	4357.11
Accounts Examination			881	625
Freepost		170	230	184
Alarm				402.79
Insurance			343.29	282
Paper and ink			821	689
Shred it/paper disposal			94	80.5
Office signage/advertising		117.5	320	
Boiler repair				119.26
Service and management charge		350	700	700
TOTAL		7,353.33	21861.12	18121.33
Income		5,944.2	20,783	16,050
Difference		-1409.13	-1078.12	-2071.33

Total excess expenditure over income over three years equals £4,558.58

5. Extract from valuation of offices on second floor of 1 High Street, 21 August 2006

We have pleasure in enclosing a Condition Survey Report on the second floor offices at 1 High Street, Dunfermline.

As will be seen there are certain items which should be drawn to the attention of the landlord and hopefully these will be addressed prior to the conclusion of the Leasehold Agreement.

We are of the opinion that a fair Leasehold Value of the subjects based on a Full Repairing and Insuring Lease for a term of five years as discussed is £8,000 (Eight Thousand Pounds) per annum.

We trust that this is sufficient for your purposes, although if we can be of any further assistance, please do not hesitate to contact the writer.

21 August 2006

6. Letter to Mr Willie Rennie MP from the Commissioner, 15 July 2009

Thank you for your letter of 14 July in response to mine of 29 June about the arrangements for your parliamentary office in Dunfermline. I am most grateful for the information and documents you have provided.

Having studied these documents, it would be most helpful if you could clarify for me the following points:

1. What was your expenditure on your constituency office in Forth House from February 2006 to May 2006? What did it cover? How was this split between your payments to the Dunfermline Liberal

Democrats (DLD) and separate payments which you claimed direct from parliamentary allowances?

2. What was your expenditure from May 2006 to September 2006 in respect of your temporary Dunfermline office? What did it cover? What was the split between payments made to the DLD and the costs you claimed direct from your parliamentary allowances?
3. What was your expenditure from September 2006 to March 2007 in respect of the new offices? What was your proportionate share? What specific items, in addition to the lease, did it cover? Were there other items which you claimed separately in respect of your use of this office from your parliamentary allowances?
4. In respect of the expenditure for 2006-2007 included in the table annexed to your letter, was the income of £5,944.20 income for the period from September 2006 or for the whole of the financial year? If the latter, why was it so significantly less than for the subsequent financial years and, if it was just for the seven months, why was it still less than for subsequent financial years? And why were some of the columns—for example, power, insurance and paper disposal not—not entered as expenditure for that year?
5. The same table shows an income for the DLD of £2,149.26 paid by you in February 2007. Could you let me know what period this income/expenditure covered and what it bought?
6. Could you identify for me from the two subleases you have submitted where, in the lease you signed on 15 March 2007, it makes provision for the Dunfermline Liberal Democrats to pay all the office costs and charge you and Mr Andrew Arbuckle an all-in fee? I have also been unable to reconcile the statement in both leases that you will pay a minimum share of 70 per cent of the yearly rate of £8,000. Can you help me on this?
7. What objective basis was there for you paying 60 per cent of the all-in fee from May 2007?
8. What objective basis did you have for establishing a 60 per cent share of the risograph and folding machine? Do you have any evidence to show that you were subsequently responsible for 60 percent of the use?

I apologise for having to come back to you for this additional information, but the picture is quite complex and I do need to make sure that I have full understood it. Once I have your response, and subject to any final points for clarification, I would then propose to seek the advice of the Department of Resources on the basis of the evidence you have kindly provided.

If it were possible to let me have a response within the next two weeks, that would be most helpful. I would make every effort to take this matter forward during the recess.

...

Thank you again for your help.

15 July 2009

7. Letter to the Commissioner from Mr Willie Rennie MP, 20 July 2009

Thank you for your letter of 15th July. I do appreciate the prompt response to my initial submission as I am keen to resolve this matter. I hope the following answers assist you with your deliberations.

1. Forth House

The expenditure on my parliamentary office in Forth House was as follows:

Item	Cost (£)	Payee
Rent—11.3.06—10.4.06	1093.57	Scottish Liberal Democrats

Phone	591.10	BT
Phone	171.99	BT
Power	244.28	NPower
Rent—11.4.06—10.5.06	1093.57	Scottish Liberal Democrats
ADSL	29.37	Merula
Rent—11.5.06—31.5.06	755.01	Scottish Liberal Democrats
Water rates	400.12	Scottish Water
Rates	1088.06	Fife Council
Gas	658.03	British Gas
Phone	7.55	BT
ADSL	29.37	Merula
TOTAL	6162.02	

No payments were made by me to Dunfermline Liberal Democrats during this period for office associated costs. All the above bills were paid from my parliamentary allowances. In error, no rent was paid to the Scottish Liberal Democrats for the period of 10.2.06 to 10.3.06. There were also no set up costs for the phones as this was paid by the Liberal Democrats when they set up the by-election HQ.

2. May—September 2006

The details of office expenditure paid from my parliamentary allowances for the period 1.6.06 until 30.8.06 is as follows:

Item	Cost (£)	Payee
Rent (1.6.06—30.8.06)	1650.00	Dunfermline and West Fife Town Centre Management
Phone 16.07.06	159.76	BT
Phone 14.06.06	683.49	BT
Phone	172.61	BT
TOTAL	2665.86	

No electricity was charged during the period as part of the temporary office arrangements.

In summary the total expenditure for the May to September period was £2,665.86.

3. September 2006—March 2007

For the period 1.9.06 until 31.3.07 the costs paid from my parliamentary allowances were as follows:

Item	Cost (£)	Payee
Phone 13.12.06	648.83	BT
Phone 14.09.06	1057.72	BT
Phone 14.09.06	141.39	BT
TOTAL	1847.94	

The electricity bill for this period is estimated at £1450 and was settled in 2007—2008 by Dunfermline Liberal Democrats as part of a larger bill also covering a longer period. The late payment was due to an extended discussion with other tenants of the building over the charges.

I set out in my previous letter that the Dunfermline Liberal Democrats received £3,794.94 from Andrew Arbuckle MSP and £2,149.26 from me and Dunfermline Liberal Democrats spent £7,353.33 on office costs.

In summary, the total expenditure for the office between September and March was £10,651.27 of which £1,450 of electricity charges was paid in a later period.

4. 2006—2007

Your last question answers your first.

For the financial year 2006-2007 the payments total of £5,944.20 only covered some of the office costs. Others were paid directly by me as set out above.

In subsequent financial years Dunfermline Liberal Democrats paid all shared office costs. Hence the higher payment to them in those years.

As explained above the electricity charges for September 2006-March 2007 were not settled that year and there were no electricity charges for the June-September 2006 period. Insurance was paid directly by me as part of the £2,149.26 invoice. There were no charges for paper disposal in the first year as I made separate arrangements.

5. £2149.26

The figure of £2149.26 paid by me covered the office rent for 1st September until 27th November 2006, insurance for 1st September until 17th January and IT cabling.

6. Sub leases

The two sub leases do not make provision for Dunfermline Liberal Democrats to pay all office costs and recharge. Would that have been necessary?

The £8,000 figure in the lease is the figure provided by the independent valuer. The 37,050 figure is the actual rent charged by the landlord. The 60% figured used to allocate costs is one agreed between the parties to reflect the use of not just the rent but also the other office costs.

7. Allocation of costs

The factors used to determine the 60% figure were: number of rooms used and the volume of activity e.g. devolved casework is significant. Although 20% of the office reflected the space allocated to Jim Tolson it did not reflect the use of phone, energy etc. It was agreed that 30% was a more accurate and reasonable proportion.

8. Folding machine and Risograph

The rationale for the 60/40 split was the relative intended use of the machines with the introduction of the Parliamentary Communications Allowance. I intended to make extensive use of the Risograph and folding machine to undertake street and target group parliamentary communications on specific and local issues.

No log book was kept for the Risograph or the folding machine as it was not thought necessary or desirable in a very busy office where demands are considerable.

I have calculated that in the first year (2007-2008) the Risograph was used to produce between 50,000 and 70,000 items for the Scottish Parliamentary Elections, Council Elections and subsequent political communications by Dunfermline Liberal Democrats. That year I printed between 20,000 and 25,000 items for parliamentary communication purposes. In 2008 – 2009, Dunfermline Liberal Democrats printed between 20,000 and 25,000 items and I increased my usage to between 25,000 and 30,000 items.

The cost of printing materials is borne by the respective users of the Risograph.

My use of the folding machine is greater than that of the Risograph as it is used also by the casework team and for other communications allowance related activity. Over the two years of use the folding machine will have been used to fold an additional 15,000 – 20,000 items for me.

My use of the Risograph and folding machine will continue to increase as I plan to increasingly focus on local and specific interest communications which the Risograph and folding machine are ideally suited for. The use of both machines by Dunfermline Liberal Democrats will fluctuate from year to year with increased use during Council Elections where frequent but small runs of leaflets are required. Over the life of the two machines I expect the respective use by me and Dunfermline Liberal Democrats to reflect the 60/40 purchase split.

The folding machine and Risograph are proving to be extremely good value for money for the taxpayer as they can produce finished communications at the fraction of the cost of a commercial printer. Also a considerable amount of staff time folding letters is saved with the use of the folding machine.

I have endeavoured to answer all your questions but if you have any further inquiries please do not hesitate to contact me.

20 July 2009

8. Letter to Mr Willie Rennie MP from the Commissioner, 29 July 2009

Thank you for your further letter of 20 July about this complaint, and for such a prompt response.

What I need to identify from all the information you have provided is, for each financial year, what money was paid to the Liberal Democrats for rent and other costs and what it covered, and what share (if any) of the common costs was met by you directly. It should then be possible for me to consider how far the amount paid to the Liberal Democrats represented a reasonable allocation of your share for the cost of the office, and whether or not the costs unreasonably increased over the period in question. The remainder of this letter, therefore, seeks to confirm my understanding of the information you have given me.

Starting with your rental of Forth House from 10 February 2006 to 10 May 2006, it appears that you were paying £1093.97 a month to the Scottish Liberal Democrats. This covered rent, rates and a service charge. Perhaps you could clarify your reasons for paying a rent of £755.01 for the period from 11 May 2006 to the end of that month, since your earlier letter suggested that you had vacated those premises on 10 May.

You then moved on 11 May to temporary accommodation on the first floor of 1 High Street. You paid a monthly rent of £550 to the Dunfermline and West Fife Town Centre Management. It is not clear what the payment covered, but I assume rent, rates and other services. I take it that there was no rental or other payments for office services made to the Liberal Democrats from May to September 2006 when you were in your temporary accommodation on 1 High Street.

On 1 September 2006 you moved to the second floor of 1 High St. It would seem that, for the seven months from September 2006 to March 2007, you paid the Liberal Democrats £2,149.26, for rent, plus insurance and IT cabling. In addition, you paid £2,000 towards your share of an electricity and phone bill and claimed that sum from the ACA in 2007-08.

In 2007-2008, I take it from your evidence that you paid £12,000 to the Liberal Democrats over the financial year, equivalent to £10000 a month. This covered £4230 rent (comprising 60 per cent of the landlord's rental charge of £7,050), equivalent to a monthly rent of £352.50. In addition you paid £7770 towards other costs, being 60 per cent of the total cost of all shared office costs, namely rates, phone, power, accounts examination, freepost, insurance, paper and ink, paper disposal, services, and management charges. There were also one-off costs of 3320 for 2007-08 for office signage. The proportionate split between you the Dunfermline Liberal Democrats and the MSP (60:30:10) was based solely on an agreement between the three of you to reflect what you considered was your respective use. No written agreement was prepared, although one is required under the rules of the House (see paragraphs 5.12.5 and 5.12.6 of the 2006 Green Book).

Similar sums were paid by you to the DLD in 2008-09, namely £12,000 in all covering rent of £4230 and other charges of £7770 which included a sum of £119 for boiler repair. These charges amounted to your 60% share of the full costs. Again, there was no written agreement for this arrangement.

Finally, you paid £3968.25 for the risograph and folding machine to cover 60 per cent of their cost, reflecting your estimated use of the machines over their lifetime. Again, there was no written agreement for this arrangement.

It would be most helpful if you would

1. let me know if this is an accurate and fair summary of the evidence you have given me;

2. let me know why you paid a rent of £755.01 for the period from 11 May 2006 to the end of that month;
3. let me have some further explanation of the 60% apportionment of rent and other costs allocated to you. At present, you say that it reflected the number of rooms and the volume of activity. If so, I would need to consider whether 60 per cent was a reasonable proportionment of your cost. I hope it might be possible for you to help me more on this—for example, by identifying how the available space was apportioned (did you have 60 per cent of the available square meterage, excluding common areas); the respective size of your staffs in the office; and, perhaps its occupation rates;
4. let me have further details of the arrangement under which you apparently met certain of the common costs, including for example water rates, during the period September 2006 to March 2007, and how such costs (including those in the one-off invoice for electricity and telephone) were allocated between the tenants;
5. let me have details of any receipts you had from your fellow tenants for example Mr Andrew Arbuckle MSP in relation to shared costs met by you. If you had any documentation relating to these, that would be most helpful.

If you could provide this further information and confirm my summary of the position, I would hope then to consult the Department of Resources to take their advice on this matter.

I look forward to hearing from you, ideally within the next two weeks. If the recess makes that difficult, do let me know.

29 July 2009

9. Letter to the Commissioner from Mr Willie Rennie MP, 1 August 2009

Thank you for your letter of 29th July in response to my letter of 20th July.

In my letter of the 14th July I provided an incorrect date for the cessation of my occupancy of Forth House, Inverkeithing. I moved from that office at the end of May and not the 10th. In your fourth paragraph you state that I temporarily occupied the first floor at 1 High Street from May—September. That should be June, July and August. In addition the payments to Dunfermline Town Centre Management are just for rent.

1. With these corrections your summary is a fair reflection of the situation. I am now in the process of drafting an office costs sharing agreement and a sharing agreement to cover the Risograph and folding machine.
2. I paid rent for the 10th May—31st May to cover the occupation of Forth House during that period.
3. The reason why we determined the 60% allocation of costs was reasonable was because of the rooms/space allocated and the number of staff members using utilities and energy. Of the four rooms Jim Tolson has one room plus part of another, I have two plus part of another and Dunfermline Liberal Democrats only has part of one room. Jim Tolson has one full time member of staff and one occasional part time, I have three full time and one on thirty hours a week who also frequently works from home and assists me with my surgeries out of the office. Dunfermline Liberal Democrats only has a part time member of staff.
4. In my letter of 15th July I supplied the details of the costs paid by the Dunfermline Liberal Democrats in 2006/7. It was agreed that I would directly and indirectly pay invoices amounting to 60% of the total costs and the Dunfermline Liberal Democrats would directly pay the others, with contributions from Andrew Arbuckle as detailed in the previous two letters. You will have seen from the total receipts and payments that this was the case.
5. I have no receipts from Andrew Arbuckle or other tenants relating to the payment of invoices for the office as they were responsible for those payments not me. As referred to above I have detailed these costs in previous letters. I believe all documentation you refer to is with the independent examiner of

Dunfermline Liberal Democrats' accounts.

I have endeavoured to supply you with all the information you have sought. However, if you require further information please do not hesitate to contact me. I am on holiday for the next two weeks but will be available to assist you further when I return Monday 17th August

1 August 2009

10. Letter to the Director of Operations, Department of Resources from the Commissioner, 4 August 2009

I would welcome your comments and advice on a complaint I have received against Mr Willie Rennie MP about his constituency office costs.

I attach [relevant correspondence] In essence, the complaint is that the costs Mr Rennie claimed against the Incidental Expenses Provision for his constituency office and certain office equipment were not wholly, exclusively and necessarily incurred on his parliamentary duties and helped to meet the cost of party political activities, contrary to the rules of the House.

I would welcome your advice and comments on this complaint. In particular it would be helpful to know of any contacts between the Department and Mr Rennie over these matters. I would also welcome your comments on the absence so far of any sharing arrangements with the Liberal Democrat Party and the MSP and on the evidence Mr Rennie has provided to explain his apportionment between him, the MSP and the Liberal Democrats.

In addition, it would be helpful if you could let me have a summary of Mr Rennie's IEP claims in respect of his constituency office and office equipment for the three financial years 2006-07, 2007-08, and 2008-09.

Any other information and advice you may be able to give me would, of course, be very welcome.

I would be grateful if you could let me have a response by the first week in September. Thank you for your help.

4 August 2009

11. Letter to the Commissioner from the Director of Operations, Department of Resources, 30 September 2009

Thank you for your letter of 4 August asking for my comments and advice on a complaint made against Mr Willie Rennie MP. I am sorry for the delay in replying. In essence the complaint is that Mr Rennie has subsidised the Dunfermline Liberal Democrat Party from his parliamentary allowances.

I have reviewed this case carefully and it does appear to raise some difficult issues about transparency, notwithstanding the fact that the House rules as set out in the Green Book may well have been met. By transparency in this context, I mean the extent to which a Member of Parliament should be required to account fully for costs levied on him or her by a political party when receiving paid services from it. However, the position is always likely to be complicated by such matters as overheads, fixed costs and the extent to which the party itself might be bearing risks or other potential liabilities.

It is a somewhat unusual feature of this case that Mr Rennie has chosen to operate with his constituency party, Dunfermline Liberal Democrats, standing between him and the head landlord in respect of his Parliamentary office, with a similar arrangement apparently applying to the maintenance contract for office machines. These issues are discussed below.

I have reviewed Mr Rennie's constituency office arrangements, first, to satisfy myself that the rules and procedures set out in the Green Book and referred to in your letter to Mr Rennie of 29 June 2009 have been followed; and secondly to ascertain, as far as I am able, whether the costs against which he made claims are all readily attributable to services that are themselves eligible expenditure in respect of the Incidental Expenses

Provision (IEP). The Green Book builds in some administrative safeguards for Members and the taxpayer by requiring, for example, an independent valuation of office space where this is rented from a political party. However, such procedures in themselves might only be able to provide limited assurance as to the precise use of any Parliamentary funds where the arrangements are more complex.

Mr Rennie's first constituency office was in North Road. The landlord was Fife Council and the 'mid-landlord' was the Dunfermline Liberal Democratic Party. Mr Rennie paid a sum for this office equivalent to that levied by the Council on the constituency party.

Mr Rennie appears to have moved to his current premises in Dunfermline High Street in April 2006, at which time he had an interim office arrangement pending refurbishment of other space in the same building. The rent at that time was paid from his allowances direct to the building management company.

From September 2006 he moved into a shared office with Andrew Arbuckle (former MSP) in the same building in the High Street. Mr Arbuckle lost his seat in May 2007 Scottish Parliament election. Thereafter, Mr Rennie shared his office with Jim Tolson MSP. Dunfermline Liberal Democrats are the main tenant ('mid landlord') and Willie Rennie and Jim Tolson, (previously Mr Arbuckle) are sub-tenants.

Mr Rennie's rental agreement with the constituency party for the period 10 May 2007 to 31 August 2009 was submitted to us in September 2007. This was some nine months after an exchange of correspondence with the Department on the matter. The rent was set at £8000 per annum plus VAT with the option of regular rent reviews. The lease suggested that the costs were allocated as follows: 70% Willie Rennie, 20% Andrew Arbuckle/Jim Tolson and 10% shared. The 60/40 allocation now mentioned by Mr Rennie was not known to us.

The rent is paid by periodic payment by the Department (i.e. no separate monthly claim forms are required to be submitted). The original instruction received from Mr Rennie on 5 September 2007 stated that £3000.00 per quarter should be paid to Dunfermline Liberal Democrats. This included costs for "Rates, Energy and Telecoms for Constituency Office" as well as the rent mentioned above.

An e-mail received from Mr Rennie on 11th March 2009 instructed the Department to reduce his periodic payments in 2009/10 from £3000.00 per quarter to £2600.00 per quarter. No explanation was given for the drop in charges nor was a revised invoice submitted. This is the amount now in payment.

The only other evidence of contact with the Department is two logged telephone calls to our advice line. I can find no other correspondence between Mr Rennie and the Department about the constituency office except that mentioned above.

I have considered both the extent to which Mr Rennie has complied with the rules and procedures in the Green Book and also the administrative actions the Department took during this period. According to our records Mr Rennie did not submit to the Department, as he was required to do, an independent valuation for the High Street office when he was subject to the Dunfermline Liberal Democrats being the mid-landlord. Nor does it appear that the Department was particularly active in seeking one during this time. It was mentioned to Mr Rennie in the telephone conversation with our advice line on 9 March 2006 (see attached record) and I am also confident that it would have been mentioned in January 2007 when the lease was discussed and there was an ensuing exchange of correspondence (although the correspondence itself does not confirm this). However, I note that a valuation took place in August 2006 and documentation Mr Rennie has supplied to you demonstrates that the rental charge (i.e. £8,000 pa) claimed from the IEP was a fair one.

The payments made from September 2007 were significantly greater than the rental charge as set out in the lease and, in my opinion, the explanation we have on record for the difference (rates, energy and telecoms, see above) is not as detailed as it might have been especially for a recurring payment. The Green Book at the time specified the level of detail required to support each claim and the Department should have sought at some stage "a copy of an agreement for services" with the constituency party (Green Book para 5.12.8). Mr Rennie could fairly expect the Department to contact him if we judged the invoice to be lacking in some way. Ideally the officer dealing with the claim at the outset should have sought clarification of the costs.

When the Department was instructed to reduce the periodic payment from April 2009, Mr Rennie might have been asked to submit a fresh invoice supporting this new figure. I am confident this would have happened had

the new amount been an increase; whereas a request to reduce a charge that was already documented and approved was treated differently and was processed without question.

Mr Rennie is one of many MPs have who co-located their Parliamentary offices with their constituency party offices. A smaller number also have arrangements for the provision of certain office services through their constituency party, ranging from utilities to staffing. I am able to confirm that the costs associated with Mr Rennie's arrangements are not out of line with costs submitted by some other MPs. Of course, that of itself does not answer the complaint.

The information Mr Rennie has provided also demonstrates that steps were taken by him to apportion costs as is required of the Green Book. However, it follows from what I have said above that the papers held by the Department cannot of themselves confirm the accuracy or reasonableness of this apportionment; and one can also conclude that where the arrangements are complex the rules themselves are not designed to provide the sort of assurance that seems to be sought in this case.

You also asked for a breakdown of Mr Rennie's IEP claims from 2006-07 to 2008-09 in respect of his constituency office and any other information. A list of relevant expenditure, including Staffing Allowance payments to the Liberal Democrats for services provided is included in the annex to this letter. ⁱ

Finally, there is the question of the risograph and folding machine. Both of these items were purchased using the Communications Allowance. A claim for both items at a total cost of (£3768) was received in May 2007, which was paid in full. Mr Rennie says that the purchase costs were shared with his constituency party on a 60/40 basis. However, I am unable to confirm that this was the case from the documents we hold. The invoices give the appearance of being payments in full and no supplementary information was given by Mr Rennie when he submitted his claim. We do hold an invoice from Mr Rennie, received from the Dunfermline Liberal Democrat Party, for his 60% share of the maintenance contract costs of the risograph and folder. The maintenance contract would appear to [be] between the constituency party and the original provider of the machines[...].

I am also able to confirm that Mr Rennie makes regular use of his Communications Allowance, which suggests to me that the office machines are well used by him.

Please let me know should you need any further information.

30 September 2009

12. Log of call from Mr Willie Rennie MP to the Department of Finance and Administration's Advice Line, 9 March 2006

Query – How do I get my constituency office rent paid?

Advice – You need to send in a signed lease agreement, if the lease is Party based then you need an independent valuation from an Estate agent and send them in to [name of official] . Once she is satisfied with the lease she will write and you can then forward a claim with invoice attached..

9 March 2010

13. Letter to Mr Willie Rennie MP from the Commissioner, 14 October 2009

I have now heard back from the Department of Resources with their comments on this complaint about your office costs.

I attach a copy of my letter of 4 August to the Department of Resources, and a copy of their response of 30 September.

As you will see, the Department have noted that you did not submit an independent valuation for your High Street offices. They note that the payments you made from September 2007 were significantly greater than the rental charge, but they are not able from the information they hold to confirm the accuracy or reasonableness of the apportionment you made. You did not submit a copy of an Agreement for Services as required by the Green Book. Nor are the Department able to confirm from their documents whether the invoice you submitted for the Risograph and folding machine was for the full purchase cost or for 60% of that cost. The Department consider, however, that the rental charge under the lease for the premises was a fair one; the costs associated with your arrangements are not out of line with the costs submitted by some other Members; and that your Communications Allowance claims suggests that the office machines are well used by you.

The key point I need to resolve is whether the utility and other costs for your offices and met from your allowances were reasonably incurred; and whether you correctly apportioned the purchase cost for the Risograph and folding machine.

With regard to your initial arrangements, when you rented accommodation from the Scottish Liberal Democrats, I note that the Department comments that you paid a sum equivalent to that levied by the Council on them. In the light of this, could you let me know if the SLD were also using the property at the same time and, if so, on what basis were the costs shared?

Your letter of 14 July helpfully set out the expenditure incurred by the Dunfermline Liberal Democrats in running the permanent office in each of the three financial years from 2006-07 to 2008-09, and your letter of 20 July sets out expenditure incurred by you in 2006-07. I think it would be helpful if I could see more information on which those figures were based, including, if possible, the relevant invoices. I appreciate that this is now a little time ago and that the information may not be held by you, but the figures you gave me were reasonably precise so I hope that the records are still available to show how they were drawn up.

From your letters of 1 August and 14 July, I understand that it was agreed that you would pay 60% of total office costs. It would be helpful if you could explain how this relates to your obligations under the successive sub-leases (which included payment of the prescribed rent, the rates and service charges levied by the building's landlord). In these circumstances, it would be helpful to know whether you considered revising the lease and whether there is an agreement for services.

Given that you made round-sum regular payments to the Dunfermline Liberal Democrat Party in respect of 2007-08 and 2008-09, it would be helpful if you could explain why there were no balancing charges or refunds when actual costs were known.

In order to help understand your arrangements over the three financial years in question, it would be helpful to know why you reduced the periodic payment from April 2009 as reported in the Department's letter.

Finally, it would also be helpful if you could let me have copies of any other invoices for the Risograph and folding machine, ideally enabling the full purchase cost to be identified and demonstrating the 60% apportionment which you claimed under the Communications Allowance.

Any other comments you may wish to make, or information you may be able to provide, on the Department's letter to help me in resolving this matter would be very much appreciated. In the meantime, I am asking the Department to let me have a copy of the correspondence about your rental agreement and any record of the second phone call⁸ they had with you.

It would be very helpful if you could let me have a response to this letter within the next three weeks. If there is difficulty about this, please do let me know. Thank you for your help.

14 October 2009

⁸ The record of the first call is at WE 12.

14. Letter to the Commissioner from Mr Willie Rennie MP, 2 November 2009

Thank you for your letter of the 14th October.

[The Director] raises the important issue of transparency. I would suggest this will always be an issue when MPs functions and activities are not directly ordered and managed by the House of Commons administration. The annual publication of the Dunfermline Liberal Democrats' accounts through the Electoral Commission and comparisons with the expenses of other members should give a certain degree of confidence in the billing arrangements. It is interesting to note that at no stage did the Department of Resources challenge the transparency of my arrangements.

I was surprised that the Department had not received the independent valuation of 1 High Street because it was certainly secured and I am sure was sent to them. I am puzzled as to why they would not have asked for it if they had not received it before making the payments requested. You have been previously sent a copy of that valuation.

You asked if the Scottish Liberal Democrats shared my office in Forth House. They did not.

You ask for more detail on which my figures were based, possibly including invoices. I have provided you with the invoices you requested except for the Account Examiner for 2008 which is a creditor.

The ink and paper costs included were the cost of producing 50,000 printed sheets (estimated) at £30 per thousand. Half the total office Freepost service costs were allocated to the parliamentary activities.

We did not change the proportions in the successive sub leases because of the time involved in making those changes. With all office bearers required to sign a new sub lease in addition to the MSP and myself the time involved would have been considerable—that was our experience when we changed the lease when Jim Tolson took over the lease from Andrew Arbuckle. With hindsight we should have made that change but at the time we thought it was reasonable not to considering all the other extensive demands on our time. In my previous communications I have conceded that I did not have a cost sharing agreement in place.

I have supplied you with the Risograph and folding machine invoices for the 40% paid by Dunfermline Liberal Democrats.⁹

There were no balancing refunds or charges at the end of each year as it was difficult to calculate exactly what those charges and refunds would have been at the time as invoices charging periods straddled financial years. From our detailed budgeting we were confident that over the years the figures would accord with the proportions agreed between the three parties. In addition Dunfermline Liberal Democrats operate an accrual system of accounting whereas the House of Commons operate a cash accounting system. The arrangements adopted enabled me to manage my allowances in a more orderly fashion with a greater degree of predictability.

The periodic payment was reduced in April 2009 to reflect the more settled electricity and phone billing and the reduction in the business rates to zero as introduced by the Scottish Government.

I hope you will see from the considerable level of detail provided since July that I have not been “scamming the taxpayer” of £18,000 as alleged by Mr Docherty. I will, of course, provide answers to any further questions you may have.

2 November 2009

⁹ Not included in the evidence.

15. Letter to the Commissioner from the Director of Operations, Department of Resources, 4 December 2009

Thank you for your letters of 14 October and 4 November.¹⁰ I am sorry for the delay in replying.

You asked for a copy of the second logged telephone call from Mr Rennie and a copy of the correspondence between Mr Rennie and his office staff and the Department, as set out in my letter. I therefore enclose the following:

1. The remaining Enquiry and Advice telephone log¹¹
2. An e-mail from [Mr Rennie's staff member] to [official] of 20 April 2006, including a manuscript note of telephone conversation of the same date¹²
3. A letter from Willie Rennie MP to [a second official] of 18 May 2006¹³
4. A letter from [name] office manager, to [a third official] of 9 January 2007¹⁴
5. A periodic payment form dated 5 September 2007¹⁵
6. An e-mail from Willie Rennie MP to the Enquiry and Advice team of 11 March 2009.¹⁶

You also asked for any comments I might have on Mr Rennie's letter to you of 2 November. The only substantive point that I consider would be helpful to you at this stage concerns the risograph. I note that Mr Rennie has supplied copies of the invoices relating to the machine and the folder as sent to Dunfermline Liberal Democrats. I note also that the two invoices total £2,512.15, which amounts to some forty per cent of the total cost of the risograph and folder, namely £6,280.15. I am advised by staff in the Department with experience of these matters that this not an unusual cost for such an item.

Otherwise, I have nothing further to add to my detailed letter to you of 30 September, which I believe fairly sets out the position.

4 December 2009

16. Log of call from Mr Willie Rennie MP to the Department of Resources' Enquiry and Advice Team, 12 March 2009

Query – I have a periodic payment set up for my rent. When will the next payment be Made? As I have already paid 4 quarters out of this year's budget please cancel the payment in March and ...

Advice – Around 22 March for April. Please send us a written instruction to cancel the March payment along with details of the revised amount to be paid. Send by email (I will pass to correct area) and send signed copy in post.

12 March 2009

¹⁰ Not included in the evidence.

¹¹ WE 15

¹² WE 16

¹³ WE 17

¹⁴ WE 18

¹⁵ Not included in the evidence.

¹⁶ WE 19

17. E-mail from office of Willie Rennie MP to [first official], Department of Finance and Administration, 20 April 2006

Further to our conversation earlier, I can confirm that Willie has told me the services provided from 13th February to 30th March were a one-off.

Note in manuscript on e-mail by same official, Department of Finance and Administration, 20 April 2006 which reads:

Spoke to [person in office of Mr Rennie] —he advised that Mr Rennie is moving to new accommodation in his constituency. I told him that he had until end of May to claim for 05-06 expenses—He should submit a lease ASAP.

20 April 2006

18. Letter to [second official] Enquiries and Advice Team, Department of Finance and Administration, from Mr Willie Rennie MP, 18 May 2006

I confirm that I am renting the above office from Scottish Liberal Democrats and that [name] was authorised by me to sign the sub-lease on my behalf and send it to you.

18 May 2006

19. Letter to [third official], Department of Finance and Administration, from Office Manager for Willie Rennie MP, 9 January 2007

Further to our telephone conversation, earlier in December, concerning the rent for Willie Rennie's office. I enclose the letter of comfort we discussed and assure you the lease will be with you, within the next two months. Thank you for your assistance with this matter.

9 January 2007

20. Email to Enquiry and Advice Team, Department of Resources from Mr Willie Rennie MP, 11 March 2009

As discussed please cancel the period payment to Dunfermline Liberal Democrats for March 2009 of approx 3110 as the four quarters for 2008/9 have already been paid.

Please also change the payments for 2009/10 from £3000 per quarter to £2600 per quarter. Please take payments on the first of each quarter so that I am paying in advance.

Manuscript note reads: Pay 1 April 2009, then quarterly thereafter.

11 March 2009

21. Letter to Mr Willie Rennie MP from the Commissioner, 28 January 2010

When I last wrote to you on 4 November I said that I was consulting the Department of Resources. I have now heard back from the Department, and with this letter I enclose copies of my letters of 14 October and 4 November to the Department of Resources, with their response of 4 December.

In the light of the Department's reply I have analysed the detailed information which has been supplied to me. I am sorry that this has taken a little time, but as you appreciate the matter is not straightforward. I should be grateful if you would now review carefully the paragraphs below which identify the issues which I am likely to

have to determine in relation to this complaint and let me have any comments or additional evidence which you consider relevant. That will help me to bring matters to a conclusion.

The issues I am likely to need to determine in relation to this complaint are:

1. Rent

The mid-landlords for your third office, the Dunfermline Liberal Democrats, have since September 2006 paid £7,050 a year to the head landlords for the rent of the shared office premises at I High Street, while — according to the subleases you have sent me - charging a total of £8,000 a year to yourself and the MSP as subtenants. If this is correct, I may need to consider whether this arrangement could be regarded as providing a benefit to the Dunfermline Liberal Democrats.

2. Division of costs

You have told me that the office costs (which include but are not limited to utilities, rates, telephone, freepost, management charges etc) have since September 2006 been shared between the three subtenants of your office. The initial arrangement was that each party would meet a proportion of the bills, but after April 2007 the Dunfermline Liberal Democrats paid all the bills and recharged the other occupants of the office. I have no information about the total of these office costs which were incurred in each financial year, and no reconciliation was carried out at the end of each year.

You have told me that the combined rent and office costs were split between yourself, the MSP and the Dunfermline Liberal Democrats in the ratio 60:30:10. On the basis of the information you provided about staff numbers and utilization of space this split does not appear to be unreasonable. But without information about the quantum of office costs which was divided up, or about your own usage, it is not possible to say whether the contribution which fell to you was reasonable.

The combined office and rental costs do not appear to have been allocated in the 60:30:10 ratio you mention. This ratio is arithmetically inconsistent with the payments of £3,000 a quarter from you and £1,850 from Mr Jim Tolson MSP which were shown in the table in your letter of 14 July 2009, which would suggest a ratio of 60:40. And although you have told me that the Dunfermline Liberal Democrats were to meet 10% of the combined rent and office costs, it appears that they may not have done this. The accounts of the Dunfermline Liberal Democrats, which the complainant supplied, do not show an entry for shared rent and office costs. And the subleases which you sent me specified that you and the MSP would jointly be responsible for the full £8,000 rent.

In the light of the evidence I have outlined I will need to consider whether these arrangements for the allocation of rent and other costs provided a benefit to the Dunfermline Liberal Democrats.

3. Reduction in quarterly charge

Your quarterly payment to the Dunfermline Liberal Democrats was reduced in April 2009 to £2600 — a reduction of £1600 a year - "to reflect the more settled electricity and phone billing and the reduction in business rates to zero". But you have not provided information on how the new figures were derived. I will therefore need to reach a view on whether the new figures are likely to be a fair reflection of developments or whether it is likely that you had simply been paying too much in previous years, with a possible benefit to the Dunfermline Liberal Democrats.

4. Risograph and folding machine

The purchase costs of these were split 60:40 between yourself and the Liberal Democrats, on the basis that over the life of the machines you expect the respective use by yourself and the Dunfermline Liberal Democrats to reflect those proportions. In your letter of 21 July you say you have calculated that in 2007-08 and 2008-09 the Dunfermline Liberal Democrats printed a total of between 70,000 and 95,000 items, and that you yourself printed between 45,000 and 55,000 items and folded between 60,000 and 75,000 items. This suggests that the split of usage for the risograph was in fact reversed, with you responsible for perhaps 40% of the usage (slightly more for the folding machine) and the Liberal Democrats responsible

for 60%. Again, I will need to determine whether the Dunfermline Liberal Democrats may have received a benefit from this sharing arrangement.

5. Additional payment for £2000 in 2007-08

At the end of 2007-08 you made an additional payment of £2000 which related to bills from BT, electricity bills and charges for common areas from the previous financial year. But you have not explained how this £2,000 was made up, whether the arrears payments were divided between the three occupants of the office, or if not, why it fell to you to meet these costs. Again, I may need to determine whether the Dunfermline Liberal Democrats may have received a benefit from this.

6. Documents to be lodged with the House authorities

The Director of Operations in the Department of Resources has told me that you did not submit a rental agreement with your party until September 2007, nine months after correspondence with the Department on the matter. The Department has no record of having received the valuation which was undertaken in August 2006, although you believe it was submitted at the time. You have also not submitted an agreement for services, although in your letter of 1 August you say that you are drafting an agreement for costs sharing and an agreement for sharing the risograph and folding machine. I will therefore need to determine how far you have complied with the requirements of the House authorities for such documentation.

I would welcome your comments on the points made in this letter, and any additional evidence you may wish to submit. It would be most helpful if you could let me have these within the next three weeks. When I receive your response I will move towards the resolution of this complaint. I am considering whether I should prepare a memorandum to the Committee on Standards and Privileges so that it may consider my conclusions and produce its own report. If I do decide to prepare such a memorandum, you should not draw any inferences from that.

I look forward to hearing from you.

28 January 2010

22. Letter to the Commissioner from Mr Willie Rennie MP, 11 February 2010

Thank you for your letter of the 28th January received by me on Friday 29th January by email and in my office on Monday 1st February.

I agree that this is not a straightforward matter but believe that the detailed information provided in previous correspondence does indeed show that there has been no benefit to the Dunfermline Liberal Democrats through the sharing arrangements made.

It is certainly the case that the complexity of these arrangements has not always been reflected in the accounts, the proportions in the sub leases did not reflect the actual division of office costs and some of the agreements were not put in place as required by the House authorities when they should have been.

This is a regrettable situation but simply a result of Dunfermline Liberal Democrats being an organisation run by unpaid volunteers who regularly change roles and me being a relatively new, but very busy, Member of Parliament.

I regret very much that these imperfections led to difficulties in understanding the situation but appreciate the opportunity you have given me to comment further upon the issues you raise.

Despite the imperfections in reporting and recording, the central fact is that, over the period under examination, the cost of running the office has been apportioned in accordance with the 60:30:10 division. As shown in the invoices provided in previous communications, the total cost was £47,335.78. The income received from both Parliaments over the same period was £42,777.20 leaving £4,558.58 for the Dunfermline Liberal Democrats to pay.

To answer the specific points in your most recent letter:

1. Rent

It is not correct to infer that the sub-lease implied that the yearly rent would always be £8,000, which was a figure based on the valuation, but made it clear that a revised rent was payable from each "date of review". The landlord set it at the lower value of £7,050 from the outset. It was thus the actual cost that was used to calculate the charges to the Parliaments, not the figure in the sublease. Moreover, the sublease makes it clear that, by receiving from both Parliamentarians a total of 90% of the rent payable, Dunfermline Liberal Democrats have to pay the remaining 10%. The yearly rent accounts for £7,050 of the total office costs.

2. Division of costs

I am puzzled why you say that you have no information about the total of the office costs in each of the financial years as I have provided you with a detailed breakdown and invoices representing the total of the costs, provided on 2nd November 2009. I agree that no reconciliation was conducted at the end of each year but because of the differing accounting systems between the Liberal Democrats and the Parliaments this would have been a complicated matter. It was also not felt necessary as the contributions to office costs received from both of the Parliaments, over the period that the inquiry covers, matched the agreed apportionment, and therefore there was no net benefit to the Dunfermline Liberal Democrats. (With the details of the total costs that I have previously provided you will see that I paid £28,149.26 of the £47,335.78 total costs of running the office. My contribution represents 60% of the total.)

You specifically identify the £1,800 and £3,000 contributions from Jim Tolson and myself in isolation without also referring to the total contributions for the whole period as referred to above. The MSPs paid £14,627.94 of the £47,335.78 total, which represents 30% of that total. Although the individual payments are variable, dependent in some cases on reporting periods and different financial years, the totals are arithmetically consistent with the 60:30:10 split.

There was no account entry for shared costs as the Dunfermline Liberal Democrats are responsible for the payment of all costs, inclusive of the 90% contributions from the two Parliaments. The Dunfermline Liberal Democrats use a standard accounts reporting format specified by the Federal Liberal Democrats, authorised by the Scottish Liberal Democrats and approved by the Electoral Commission.

The sub-lease does indeed include a sentence implying that the Parliamentarians would pay the whole of the yearly rent, and this is a regrettable error; for it also specifies, in the same section, that "For the avoidance of doubt the said William Rennie will pay a minimum share of 70% of the rentand the said (Jim Tolson/Andrew Arbuckle) will pay a minimum share of 20% of the rent...." It is clear that the Parliamentarians were expected to pay 90% of the rent, not all of the rent. As mentioned above, the central point is that I have shown that of the total costs of the office, including rent, the Parliamentarians actually paid 90% to the Dunfermline Liberal Democrats.

3. Reduction in quarterly charge

You refer to the quarterly payment to the Dunfermline Liberal Democrats which was reduced in April 2009 to £2600. Notably this reduction was made prior to the start of your inquiry and was therefore not a reaction to the allegations, or the inquiry, but simply a desire to reflect the reduction in the estimated costs at the time. That reduction was mainly attributable to the premises becoming zero-rated and a reduction in energy charges. (Increases can of course also occur: for information, the Dunfermline Liberal Democrats has recently conducted an interim reassessment of the costs and I submitted a request to the Department of Resources for an additional £1,734 on Wednesday 27th January.) Following your reference in previous correspondence to an end of financial year reconciliation, the Dunfermline Liberal Democrats will be doing so in May this year and may request further contributions or rebates at that time. As I have explained above this will be a complicated matter because of the differing accounting systems but it was clear from your previous correspondence that you thought this should be done. If you require full details of how these figures are calculated I am sure Dunfermline Liberal Democrats would comply with a request, as they have done for previous years for you. I have previously shown that I have not been paying too much in previous years.

4. Risograph and folding machine

You are right to say that the usage of these machines does not reflect the 60:40 purchase ratio. However, as you note from our previous correspondence, these proportions reflect the usage originally expected over the lifetime of these second hand machines. Year to year fluctuations are certain to happen. If after 5 years, the average usage differs substantially from that anticipated, adjustments could, and should, be made. As the cost of printing on a Risograph is considerably less than commercial printing rates the purchase has provided, and will continue to provide, good value for money for the Parliament and the taxpayer.

5. Additional payment for £2000 in 2007-08

I have provided extensive detail on the total costs for the office over the period which includes the additional payment. You will have seen that the billing from Visit Scotland for energy was considerable in that year and followed a dispute over the billing arrangements up until that point. It does seem unusual for the payment only to be requested of me but as the total contributions over the period reflect the 60:30:10 split there was no consequent benefit to the Dunfermline Liberal Democrats.

6. Documents to be lodged with the House authorities

I accept much of what you say on this matter. I am a busy Member of Parliament who is relatively new and was elected in a by-election in 2006 after the formal induction sessions held for new members in 2005, which I never received. Since my election I have had three different office managers. I deeply regret this situation and in future will commit more time personally to ensure that this situation does not reoccur.

However, you state that the rental agreement (I assume you mean sublease) was not provided until September 2007, nine months after correspondence with the Department on the matter. This was not the case. The sublease was provided in April 2007 and then again in September 2007 to reflect the change in MSP from Andrew Arbuckle to Jim Tolson in May 2007. There was still a delay but I have explained in previous correspondence that this was because of the difficulty of securing the signatures of all the officers of the Dunfermline Liberal Democrats, myself and both of the MSPs.

You are right to say that I have not yet submitted an office costs and risograph/folding machine sharing agreement to the Department as indicated in my letter of 1st August. This was because I was informed that you expected your inquiry to conclude by the end of the summer recess, and then when this date passed, by Christmas. I therefore thought it best to wait until that point so that I could include all your recommendations in the new documentation. In hindsight I should have not waited but I thought it was the best course of action at the time.

It should be highlighted that at no stage has the Department of Resources challenged my arrangements on any of these matters at the time or since. Had they done so I would have immediately dealt with the issues raised as I have done so when they alerted me to other issues. I do appreciate that I am ultimately responsible and I accept any failings on these matters but if the shortcomings were unacceptable I would have thought that the Department would have alerted me.

If you require any further information to assist you with your deliberations please do not hesitate to contact me again.

11 February 2010

23. Letter to Mr Willie Rennie MP from the Commissioner, 11 March 2010

Thank you for your letter of 11 February in response to mine of 28 January. I am grateful for the further information you have provided. It has, I am afraid, taken me a little time to work through the material you have provided.

You have assured me that the figures you provided on 14 July are accurate. Without much fuller supporting documentation it is not possible to corroborate this. I have however accepted the figures in that letter with two

exceptions, which relate to the Dunfermline Liberal Democrats' expenditure on accounts examination in 2007-08 and 2008-09. I have excluded these two items from my calculations of the expenditure on the shared premises and services on the grounds that these seem to be party political expenditure and not a proper charge to the House. If you think I am mistaken in this, please let me know with your reasons.

I attach a revised summary of the facts,¹⁷ which takes account of the information in your latest letter. I would be most grateful for your confirmation that this is accurate. In particular, it would be helpful if you could confirm that during the period of the complaint neither you nor the MSPs made any payments direct to suppliers, over and above the payments set out in your letter of 14 July, in respect of these shared office costs.

It would seem from this summary that two out of the three financial years in question, your contribution exceeded the intended level of 60%, by 7% in the 2007-08 and by 9% in 2008-09 — a cash sum of £1,412 and £1,502 respectively. Because you had contributed significantly less in the first year, your overall share over the three years was just 3% above the agreed level — a cash figure of £1,391. It would seem also, that on the basis of the usage from April 2007 to March 2009, the use of the risograph and the folding machine did not reflect the share of the purchase costs. If the purchase costs had reflected the 60:40 costs of usage between Liberal Democrats and you, your contribution to the purchase costs would have been £2,512, that is £1,256 less than you actually paid. It would also appear that you did not in fact follow the rental agreements drawn up in 2007, as both the rent charged and the division of that rent differed from what was set out in the agreement. Finally, you have accepted that you did not draw up an agreement for shared services and lodge it with the House authorities, as required by the rules.

I know you are anxious for this inquiry to be concluded (as am I) so it would be helpful to have your response within the next two weeks. Once I receive your response I will decide how best to resolve this complaint.

11 March 2010

24. Office Costs of Mr Willie Rennie MP: Summary of Facts

February to August 2006: office premises

1. Mr Rennie has had a series of office arrangements since his election in February 2006. In each case he has claimed against his Incidental Expenses Provision (now his Administrative and Office Expenditure) for his share of the costs of the premises.
2. The mid landlord of Mr Rennie's first office was the Scottish Liberal Democrats. Mr Rennie paid rent equivalent to what the Council charged to the mid landlord. Mr Rennie's evidence, however, is that the party did not share that office with him.
3. Mr Rennie moved out of that office in May 2006, but unfortunately his new office was not in a suitable condition and required renovation, which the landlord undertook while Mr Rennie used another office in the same building. Mr Rennie paid the rent for this second office from his allowances direct to the building management company. His political party did not share that office with him.

September 2006 onwards:

Office rent

4. Mr Rennie moved to his third and current property, at 1 High Street, Dunfermline, in September 2006. The mid landlords for his third office, the Dunfermline Liberal Democrats, have since September 2006 paid £7,050 a year to the head landlords for the rent of these shared office premises. They recouped some of that rent from Mr Rennie and the MSP. The rental costs are divided between Mr Rennie, the MSP and the Dunfermline Liberal Democrats in the ratio 60:30:10.

¹⁷ WE 24

Division of other costs

5. Mr Rennie, the MSP and the Dunfermline Liberal Democrats share the costs of the office (which include but are not limited to utilities, rates, telephone, freepost and, management charges). These costs have since September 2006 been shared between them, also in the ratio 60:30:10. Between September 2006 and April 2007 some of the bills were paid directly by Mr Rennie and the Dunfermline Liberal Democrats, but since April 2007 the Dunfermline Liberal Democrats have paid all the bills and recharged the other occupants of the office for rent and office costs in combination. This charge was not broken down and no end of year reconciliations were carried out.

Payments made

6. Mr Rennie's evidence is that from **September 2006 to March 2007** the Dunfermline Liberal Democrats met office costs of £7,353. Mr Rennie also paid £1,848 direct to suppliers, making a total of £9,201 for the office costs for this period. Mr Rennie repaid £2,149 and the MSP £3,795 to the Dunfermline Liberal Democrats, who met the remaining £1,409. This means that during this period Mr Rennie met 43% of the costs of the shared office, the MSP met 41% and the Dunfermline Liberal Democrats met 15%.
7. From **April 2007 to March 2008** the Dunfermline Liberal Democrats met office costs of £20,980. Mr Rennie repaid £14,000 and the MSP £6,783 to the Dunfermline Liberal Democrats, who met the remaining £197.12. This means that during 2007-08 Mr Rennie met 67% of the office costs, the MSP 32% and the Dunfermline Liberal Democrats 1%. Mr Rennie's contribution for this year included an additional payment of £2,000 which related to bills from BT, electricity bills and charges for common areas from 2006-07.
8. From **April 2008 to March 2009** the Dunfermline Liberal Democrats met office costs of £17,946 Mr Rennie repaid £12,000 and the MSP £4,050, leaving the Dunfermline Liberal Democrats to meet the remaining £1,446. This means that during 2008-09 Mr Rennie met 69% of the office costs, the MSP 23% and the Dunfermline Liberal Democrats 8%.
9. Considered as a whole, over the period from September 2006 to March 2009 Mr Rennie paid £29,997 (63%) of the shared office costs; the two successive MSPs between them paid £14,628 (31%) and the Dunfermline Liberal Democrats £3,053 (6%).

Risograph and folding machine

10. Mr Rennie and the Dunfermline Liberal Democrats jointly purchased a risograph and folding machine in April 2007. The costs of this, which were not included in the normal running costs of the office, were split 60:40 between them, on the basis that over the life of the machines the usage by Mr Rennie and the Dunfermline Liberal Democrats was expected to reflect those proportions. Although no log of usage has been kept, estimates by Mr Rennie suggest that he has been responsible for perhaps 40% of the usage (slightly more for the folding machine) and the Liberal Democrats responsible for 60%.

Reduction in quarterly charge in April 2009

11. Mr Rennie's quarterly payment to the Dunfermline Liberal Democrats was reduced in April 2009 from £3,000 to £2,600—a reduction of £1,600 a year—“to reflect the more settled electricity and phone billing and the reduction in business rates to zero”. There is no evidence to suggest that the previous charges were in excess of the costs actually incurred.

Documents to be lodged with the House authorities

12. The Director of Operations in the Department of Resources has said that Mr Rennie did not lodge a rental agreement with the Department until September 2007, nine months after correspondence with the Department on the matter; although Mr Rennie believes that he provided an agreement in April 2007 and then September 2007. Mr Rennie has said that both the rent and the contribution rates set out in those agreements are incorrect. The Department has no record of having received the valuation which was undertaken in August 2006, although Mr Rennie believes it was submitted at the time. Mr Rennie has also

not concluded an agreement with the Dunfermline Liberal Democrats for shared services, although in his letter of 11 February he says that he has delayed drafting agreements for sharing the costs of the office and the risograph and folding machine until the completion of this inquiry.

10 March 2010

25. Letter to Mr Willie Rennie MP from the Commissioner, 24 March 2010

Thank you for your letter of 11th March which I received on Friday 12th March in my London office and which included, for the first time, a summary of facts. [The Complaints Officer] from your office has subsequently communicated to me by telephone, following an inquiry from me, that you are satisfied you have sufficient information to corroborate the figures that I have provided to you.

I do believe that it is reasonable to include the independent accounts examination for 2007-08 and 2008-09 as they have only been incurred because of the Parliamentary office costs being paid by Dunfermline Liberal Democrats. The Electoral Commission rules require a formal independent examination for local party accounts. Whilst in the past Dunfermline Liberal Democrats turnover had been small enough and arrangements uncomplicated enough not to require the appointment of a firm of accountants to undertake the examination, by 2007 it had become apparent that the scale and complexity was such the engagement of a firm of accountants (after a tendering process) was desirable to guarantee due diligence for both the Electoral Commission and the parliamentary authorities. Thus these professional fees arose as a consequence of the sharing arrangement. I therefore believe that it is a legitimate expense to include in the shared office costs.

I can confirm that there are no additional payments made direct to suppliers that were shared costs over and above that I have already provided to you in previous communications.

You have provided a summary of the costs both on an annual and for the period under examination as a whole. I wish to reiterate that each year should not be considered in isolation when reaching your conclusion as often the costs incurred in one year were paid in another. For example, a large proportion of the income and expenditure of 2007/8 was incurred in electricity charges in 2006/7. Imbalances of this kind from one year to another are more apparent here than they would be in the party accounts for the calendar year, because under Electoral Commission rules, the local party accounts are prepared on an accruals basis. This makes it imperative that conclusions are drawn on the basis of the figures over the three years.

I wish to alert you to a small error in my calculations. In the tables provided previously Dunfermline Liberal Democrats were charged 10% of the freepost, paper and ink and signage costs when they should only have been apportioned to me and the MSPs concerned, in fact some should only have been charged to me as they were solely Westminster Parliamentary costs and others to Jim Tolson as they were solely Scottish Parliamentary costs. In error, these costs were included in the shared costs table.

For example, the sign costing £120 in 2007/8 was only for Jim Tolson MSP and did not have any reference to Dunfermline Liberal Democrats. Although this was paid by Dunfermline Liberal Democrats and entered into the shared costs arrangement it should only have been charged to the Scottish Parliament.

The costs included in the table that were purely parliamentary and not shared costs with the Dunfermline Liberal Democrats are as follows:

MSP freepost (one third of total) and signage was £56.61 in 2006/7, £196.59 in 2007/8 and £61.27 in 2008/9.

MP freepost (two thirds of total), paper, ink, signage and advertising were £230.72 in 2006/7, £1174.18 in 2007/8 and £811.54 in 2008/9.

This amounts to £2531 of expenditure of which £2216 was incurred by me and £315 by the MSPs over the period.

If we take these costs out of the shared costs altogether by subtracting these figures from both the total expenditure and income this means that the total income received for shared office cost totals was £46,652

with me contributing £27,781, the MSPs contributing £14,313 and Dunfermline Liberal Democrats £4,558. This changes the total percentages to 59%, 31% and 10% respectively over the three year period.

This table shows the annual breakdown of the figures which excludes the paper, ink, freepost, signage and advertising but includes the independent account examination.

	2006/7	2006/7	2007/8	2007/8	2008/9	2008/9	Total	Total
	£	%	£	%	£	%	£	%
MP	3367	42	12826	63	11188	65	27781	59
MSPs	3738	42	6586	32	3989	23	14313	31
DLD	1409	16	1078	5	2071	12	4558	10
Total	8514	100	20490	100	17248	100	46652	100

Although in your summary of facts you refer to the division of use over the life of the Risograph and folding machines you revert to referring to the use over the period under examination implying that there should be a repayment at this stage even though the machines have not reached their end of life. I would be grateful if you could clarify which option you will be considering when reaching your conclusions.

I agree that I did not follow the rental agreement drawn up in 2007 but this was not to the financial detriment of the taxpayer. Dunfermline Liberal Democrats did not gain any advantage from this.

I hope that the information I have provided in this letter answers all the queries you have and that you will now be able to reach a conclusion on this matter.

24 March 2010

26. Letter to Mr Willie Rennie from the Commissioner, 6 April 2010

Thank you for your letter of 24 March in response to my letter of 11 March.

With my letter of 11 March I attached a summary of the facts as identified from the evidence. I take it from your latest letter that, with two exceptions, you accept this summary as accurate. I deal with these two exceptions in paragraphs five and six below.

While you had not lodged all the required documents with the House authorities, and there were shortcomings in the areas of your record keeping and accounting, which makes it difficult definitively to establish the division of costs, my provisional conclusions were that between September 2006 and March 2009 you overpaid your contribution to the costs of the shared office by around £1,390 (3% of overall costs). and that your contribution to the costs of the risograph and folding machine bought in 2007 appears between April 2007 and March 2009 to have exceeded your share by £1,256 (that is, 20% of its purchase costs).

I based these calculations of the costs of the shared office on the figures you gave me in your letter of 14 July, which I have accepted in full, except for the charge for accounts examination. (I explain in the next paragraph why I have not accepted your contention that this is an allowable cost.) I have therefore assumed that the figures which you gave me in that letter, supported where available by those invoices which you have been able to locate, are likely to provide the most reliable account of the finances of the shared office over the period covered by the complaint. If this assumption is wrong please let me know.

You suggested that your allowances should contribute to the charge for the Dunfermline Liberal Democrats' accounts examination because the additional expenditure on rent and shared costs in effect pushed the party's expenditure into the category requiring an independent accounts examination. I do not believe this to be true in respect of 2007, but having carefully considered your arguments, I cannot in any case accept that accounts examination for a political party organization is a proper charge to your Incidental Expenses Provision.

Turning to the other points made in your letter of 24 March, you identify some costs which you believe should be excluded from these calculations. These amounted to a combined total of £2,531 for advertising,

signage, paper, ink and freepost. But without receipts showing all the costs to which you refer, I could not consider altering the figures you had provided in July, and on which you assured me I might rely. The receipts you have provided do not offer detail sufficient for this purpose and they do not sum to the values in your letter of 14 July. Nor have you provided evidence that, at the time when they were incurred, these costs were disaggregated and apportioned separately from the other costs of the shared office.

I need now to consider with you how best to resolve this complaint. If you were to accept my conclusions as set out in paragraph three above, then I would be ready to rectify the complaint at this stage. In order to do so, you would need to have accepted that you were in breach of the rules of the House because you had not concluded and lodged with the House authorities the required sharing agreements in respect of the risograph and other office costs and because you claimed from your IEP £1,391 more than your share of the office costs in the period from September 2006 to March 2009 and £1,256 more than your share of the costs of the risograph and folding machine. You would need to agree to repay these sums without delay. You would also need to offer an assurance that, if the office sharing arrangements with your local party are resumed in the new Parliament, you will carry out end of financial year reconciliations and that you will undertake to ensure that your arrangements comply with any rules laid down by the Independent Parliamentary Standards Authority. The Committee on Standards and Privileges would also expect you to have apologized for the breaches. I would need to accept that these breaches had been unintentional, and that you had taken the necessary action to rectify matters.

I attach an extract from the draft letter¹⁸ which – if you agree this course – I would propose to send to the complainant. If you decided not to accept rectification, then I would need to prepare a formal memorandum for the Committee on Standards and Privileges which I would submit to them in the new Parliament.

I would be very grateful to know whether you would wish me to resolve this matter through the rectification procedure. If you were to agree to rectification, then I would be grateful for any comments you might have on the factual accuracy of the attached draft letter to the complainant.

If you were able to let me have your response to this letter by close on 7 April and you agreed to rectification, I would ensure that the matter was concluded before the Dissolution. If you would like longer to consider this then I would need to come back to it early in the new Parliament. I look forward to hearing from you.

6 April 2010

27. Letter to the Commissioner from Mr Willie Rennie, 24 May 2010

Thank you for your letter of the 18th May.¹⁹

I am disappointed that it has taken almost one year to conclude this matter. I am sure you will agree that an elongated complaints process fails everyone concerned and I would urge you to review your office arrangements so that the length of future inquiries is reduced substantially.

However, I am pleased that you have concluded that the proportion of costs charged was not unreasonable nor were the arrangements intended to benefit Dunfermline Liberal Democrats.

I accept my error regarding the requirement to lodge the necessary agreements.

Although I disagree with your conclusions on the end of year adjustments and the risograph/folding machine I nevertheless am keen to conclude this matter and agree to the rectification you propose. I would be grateful if you could inform me of the payment details for the transfer of £2,647.

I apologise for the errors I have made.

¹⁸ Not included in the evidence.

¹⁹ Forwarding another copy of the letter of 6 April.

24 May 2010

ⁱ Not included in the evidence