

MPs' expenses and allowances

Supporting Parliament, safeguarding
the taxpayer

Committee on
Standards in
Public Life

Executive summary

November 2009

THE SEVEN PRINCIPLES OF PUBLIC LIFE

SELFLESSNESS

Holders of public office should act 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.

INTEGRITY

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

OBJECTIVITY

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

ACCOUNTABILITY

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

OPENNESS

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

HONESTY

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

LEADERSHIP

Holders of public office should promote and support these principles by leadership and example.

These principles apply to all aspects of public life. The Committee has set them out here for the benefit of all who serve the public in any way.

Contents

Executive summary	4
List of recommendations	10
Summary of key reforms to the expenses regime	19
About the Committee on Standards in Public Life	23

Executive Summary

Introduction

1. This report makes proposals for the reform of the regime for meeting the costs which Members of the United Kingdom Parliament incur as the result of performing the roles for which they are elected.
2. It aims to strike a fair balance between giving Members of Parliament adequate resources to do their jobs and providing value for money for the taxpayer, within a framework which is transparent, accountable and free from suspicion of abuse for personal advantage. MPs carry out a vital role in our democracy. It is important that they have the support to be fully effective.
3. Our inquiry has taken place in a highly charged atmosphere. It follows a series of piecemeal attempts at reform, some of which were announced while we were deliberating. These attempts have, at best, lacked coherence. We have aimed therefore to make our review comprehensive and thorough, and to give everyone who wished to do so the chance to contribute. To make this possible we have resisted pressure to speed up the timetable to a point which we thought would damage its completeness – though we understand the urgent need for change.
4. We have been in no doubt about the importance of our task. There has been a profound crisis of public confidence in the integrity of MPs brought about by successive revelations about the nature of their self-determined and self-policed expenses scheme and the way they have used it. The public are understandably angry about a major systemic failure in an area where they are justified in expecting the highest standards. MPs have been able to misuse for personal gain an expenses regime which was intended simply to reimburse them for the additional costs necessarily incurred in performing their jobs. Anger has been fuelled further by a perception that ordinary citizens are subject to restrictions in their own working lives which were not being applied in the same way to MPs, and by the reluctance of the House of Commons as a whole to recognise the need for reform until forced to do so.
5. Some have argued that the situation has been caused by the unwillingness of successive governments to contemplate increases in MPs' pay, even when recommended by an independent review body. This unwillingness has created a sense of grievance. It has also led to a tendency to regard the expenses system, quite wrongly, as a substitute for higher salaries. The problem has been compounded by serious weaknesses in the control systems which were supposed to provide assurance that public money was being used only for the purposes intended.
6. Restoring public confidence will be a slow process. It will require much more than a set of rule changes, essential though these are. All MPs need to reaffirm and embrace the Seven Principles of Public Life; and those in authority must show leadership in driving through the necessary changes in rules and culture. The public will also want to be assured that those who break the rules will be robustly sanctioned.
7. Our recommendations are listed in full at the end of this summary.

Interim steps

8. A number of the key steps to facilitate the necessary changes have already been taken. Three of the most important are:
 - The House of Commons has belatedly accepted that full details of all expenses claims should be publicly available. Had this degree of transparency existed in the past, it is unlikely that the previous flawed system would have survived as long as it did. We firmly believe that regular publication, along the lines of the arrangements already introduced in the Scottish Parliament, is an essential part of the way forward.
 - Parliament has decided that responsibility for determining future changes in the expenses regime, and for administering and policing it, should be given to an independent body. This change is crucial. It will mean that future decisions about the structure and level of expenses payments will not be taken by people with an interest in the outcome. It should ensure that the administration and policing of the system are conducted by independent people free of any suspicion of improper pressure; and it should protect MPs from future governments who might see advantage in depressing entitlements unreasonably for reasons of political popularity.
 - Expenditure on expenses in the current year will for the first time be subject to ‘full scope’ external audit. Audits in previous years have not sought to investigate beyond an MP’s declaration that his or her expenses claims were in accordance with the rules. As a consequence very little assurance was gained about the adequacy of the controls intended to ensure that public money was being properly spent. Full scope audit will make it much easier to identify the risks of abuse and the proportionate actions that need to be taken to guard against them.
9. We welcome all these developments. We have, however, made a number of recommendations intended to improve their effectiveness and ensure they are firmly embedded in future policy and practice.

The new arrangements for regulation and enforcement

10. We have looked particularly carefully at the new Independent Parliamentary Standards Authority (IPSA). We applaud the creation of an independent regulator. We think it is very important that it should be in operation from the beginning of the next Parliament. Nothing in this report need or should be allowed to get in the way of that happening.
11. However, we believe the new body bears the scars of the haste with which the legislation was pushed through Parliament. We make a number of recommendations in Chapter 13 of the full report, intended to improve its focus on its key role, to make sure it has the necessary powers to achieve its objectives, and to buttress its independence. In particular, we recommend that it should not, as currently intended, take on responsibility for the register of financial interests and its associated code. We understand why in current circumstances this has been done. But we believe that making MPs’ day to day conduct in the House subject to an externally written code potentially raises issues of parliamentary privilege which do not apply to the expenses regime, will prove unworkable and would give a false sense of security when the power to sanction for breaches of the code remains with the House of Commons. It also risks distracting the new body from its core purpose.
12. Instead, we think that the independent regulator should be given responsibility for determining the level of MPs’ pay and pension arrangements as well as their expenses. All financial flows to MPs would then be decided and controlled in one place, whose independence from the House of Commons would be embedded in primary legislation and could only be changed by further primary legislation.
13. If the House is to retain responsibility for standards issues it is essential that its disciplinary machinery includes a significant independent element. We have therefore recommended that the key House of Commons’ bodies with responsibilities which bear on the regulation of expenses, the Standards and Privileges Committee and the Speaker’s Committee on the new independent regulator, should both be strengthened by the appointment of external members.

Fundamental principles

14. Our starting point in looking at expenses has been that the role of an MP has many unusual characteristics, not least in many cases the need for two separate places of work. But it also has features in common with other jobs. We have therefore sought to make a clear distinction between those aspects of the expenses regime where MPs are entitled to be treated differently from the public at large and others where they are not.
15. In Chapter 3 of the full report, we set out the principles which should underpin the new scheme of expenses, derived from an elaboration of what we believe the Seven Principles of Public Life require in this context:
 - Members of Parliament should always behave with probity and integrity when making claims on public resources. MPs should be held, and regard themselves, as personally responsible and accountable for expenses incurred, and claims made, and for adherence to these principles as well as to the rules.
 - Members of Parliament have the right to be reimbursed for unavoidable costs where they are incurred wholly, exclusively, and necessarily in the performance of their parliamentary duties, but not otherwise.
 - Members of Parliament should not exploit the system for personal financial advantage, nor to confer an undue advantage on a political organisation.
 - The system should be open and transparent, and should be subject to independent audit and assurance.
 - The details of the expenses scheme for Members of Parliament should be determined independently of Parliament.
 - There should be clear, effective and proportionate sanctions for breaches of the rules, robustly enforced.
 - The presumption should be that, in matters relating to expenses, MPs should be treated in the same manner as other citizens. If the arrangements depart from those which would normally be expected elsewhere, those departures need to be explicitly justified.
 - The scheme should provide value for the taxpayer. Value for money should not necessarily be judged by reference to financial costs alone.
 - Arrangements should be flexible enough to take account of the diverse working patterns and demands placed upon individual MPs, and should not unduly deter representation from all sections of society.
 - The system should be clear and understandable. If it is difficult to explain an element of the system in terms which the general public will regard as reasonable, that is a powerful argument against it.

Accommodation

16. The main focus of public concern about expenses has been accommodation. We make a number of proposals about this in Chapter 5 of the full report. Our key recommendations are that support for mortgage interest should be brought to an end with appropriate transitional provisions, that in future, support should only be provided for rent or hotel costs, and that the new independent regulator should contract with a commercial agency to procure and maintain suitable rented properties for all new MPs entering the House at the next election, with a view to extending the scheme thereafter.
17. The ending of support for mortgage interest will mean that MPs will no longer be able to purchase an asset with support from the taxpayer and retain for themselves any capital gains. It will also eliminate the incentive for 'flipping', the practice whereby some MPs have allegedly changed the designation of their main home according to considerations of personal financial advantage rather than any objective criteria. As a transitional arrangement, we have recommended that MPs with existing mortgages supported through the expenses scheme should be entitled to claim the cost of mortgage interest on their property until the end of the next Parliament, but that any capital gains from now on made with the support of public funds should be surrendered to the taxpayer.

18. The use of a commercial agency to procure and maintain rented properties will relieve individual MPs of the task of finding and maintaining properties and paying bills, offer a degree of flexibility in dealing with different family circumstances or special needs, and significantly reduce the risk of real or perceived misuse of public funds. Payments for rent and utility bills could be made direct to the supplier and not pass through the hands of MPs themselves.
19. We have four other significant recommendations on accommodation. First, as already agreed as an interim step, MPs should no longer be able to claim for the cost of items like electrical goods or services like gardening, but only for basic requirements like utilities and security. Second, the availability of additional accommodation should be withdrawn from a number of MPs whose constituency homes are within reasonable commuting distance of Westminster. Third, the London cost allowance, analogous to London weighting and paid to MPs not entitled to secondary accommodation, should be reduced to the level recommended by the Senior Salaries Review Body (SSRB) in 2007, uprated for inflation. That would bring it much closer to the norm in the public sector. There should be a higher allowance for those with constituencies outside the Greater London area who do not receive taxpayer funded accommodation. Finally, eligibility to claim the current £25 subsistence allowance should be considerably restricted. In future, only MPs staying in hotels should be able to claim for the cost of an evening meal, and only on the basis of costs actually incurred and backed by receipts.

Staffing and office costs

20. Our main recommendation on staffing is that the employment by MPs of members of their own families, paid out of public funds, should be brought to an end. We have proposed transitional arrangements which would allow those currently employed to remain in their positions for one further Parliament. We have heard much evidence commending the dedication and hard work of many family members, and about the advantages the arrangement may bring to constituents and to the family life of MPs. But, it is not consistent with modern employment practice designed to ensure fairness in recruitment, management of staff and remuneration; and it will always carry with it a suspicion of abuse. We believe it is important for the House of Commons not to be lagging behind others on this issue. A number of other legislatures have already come to the same conclusion.
21. We also recommend that, while recruitment of staff should remain the responsibility of MPs, there should be open recruitment and steps should be taken to bring about a much greater standardisation of terms and conditions, backed up by more effective HR support and training.
22. Many staff employed by MPs are also politically active in their own right and a significant number of constituency offices are rented from or shared with local political parties. There must, therefore, be a risk that resources intended to support an MP in their constituency role will deliberately or inadvertently be put to party political use instead. We have heard no evidence that this is happening on any significant scale. But this is not an area that has ever been properly examined, given the inadequacy of the House's audit and assurance arrangements. We recommend, therefore, that it should be closely looked at in the external audit. We also recommend that all staff should receive clear guidance on the proper use of staff and other resources paid for from public funds. MPs should be asked to affirm every year that their staff understand these rules, and are abiding by them.
23. We also propose that, in future, significant office equipment purchased using public funds should remain the property of Parliament.

Communications

24. We recommend that the communications allowance should be abolished. We believe that effective engagement between Members of Parliament and their constituents is of the utmost importance, particularly in the wake of recent events. But there is little evidence that the communications allowance is succeeding in promoting more effective political engagement, and much evidence of it being used for self-promotion. MPs who wish to communicate proactively with their constituents should be encouraged to continue to do so. But they should have to pay for it out of their administrative and office budget, where the cost would have to compete with other demands rather than being seen as a free good.

Travel

25. We have made a number of detailed recommendations about travel expenses, generally reflecting the principle that MPs should expect to be treated in the same way as their constituents in this regard, unless there are compelling reasons to the contrary. That implies, for example, that MPs should not be reimbursed for the costs of ordinary commuting journeys – that is, journeys directly comparable with those made by other people between home and their place of work. We also recommend that the purpose and destination of all journeys for which claims are made should be recorded, including those made by car. This transparency will bring the House of Commons in line with the Scottish Parliament, where such arrangements do not appear to be an unduly bureaucratic burden.

Leaving office

26. When MPs leave office they are entitled to redundancy pay in the form of a resettlement grant. Unlike most redundancy arrangements, the grant is paid to all MPs leaving Parliament at dissolution, including those who go voluntarily for retirement or other reasons. We recommend that, starting immediately after the next election, only those whose departure is involuntary should receive the grant. MPs who stand down voluntarily should instead receive an additional eight weeks' pay to assist with the transition and to cover the time they spend on bringing their parliamentary work to a close. We also recommend that the sanction of withdrawal of the grant should be considered for serious breaches of the expenses rules or of other aspects of the code of conduct, in this or future parliaments. It is not too late for the sanction to be applied in respect of current MPs found to have committed a serious breach of the rules. Most employees in other organisations who leave their jobs because of misconduct could not expect to receive redundancy pay.

Other employment

27. At the request of the Prime Minister, we have looked at the issue of MPs who also undertake paid employment outside the House of Commons, either occasional lecturing or journalism, or a more substantial post like a company directorship. We understand why this should be a cause of concern if it happens on a scale which risks distracting MPs from their main role or which creates a conflict of interest. Provided such activity remains within reasonable limits we take the same view as our predecessors, that it should not be banned. It can bring valuable experience to the House of Commons and the income from it can help to preserve independence from the whips. However, we believe that it should be limited in scope and transparent, and that information about candidates' outside interests should be explicitly drawn to their constituents' attention at the time of elections.
28. One aspect of paid employment outside the House is that, partly for reasons of recent history, 16 out of 18 Northern Ireland Westminster MPs are also members of the Northern Ireland Assembly. Five of them currently hold ministerial positions there. The only other example of dual mandates is that the First Minister of the Scottish Parliament is also an MP. He has indicated that he will not be standing at the next Westminster election. We recommend that 'double jobbing', as it is known in Northern Ireland, should be brought to an end, ideally by the next elections to the Assembly in 2011. We recognise that this will be a demanding timetable but the issue is an important one.

The way forward

29. The bulk of our recommendations should be implemented by the start of the next Parliament. Some are to be introduced immediately and some involve transitional arrangements for existing MPs. None of our proposals have retrospective effect. The effect of adopting our recommendations would be to reduce the cost to the taxpayer of supporting MPs, while introducing a greater degree of transparency and control, and limiting the scope for abuse, or the perception of abuse.
30. Our proposals are intended to be treated as a package, not as a menu of options. We recommend that they should now be handed to the independent regulator to be implemented in full, in spirit as well as in detail, and that the principles set out in Chapter 3 of the full report should be used to guide any future changes.
31. The revelations about expenses have made the public suspicious not just of the integrity of individual MPs but of Parliament as an institution and politicians as a whole. Reform of the expenses regime is a necessary step towards rebuilding confidence. But it is by no means enough to bridge the growing gap between MPs and those they represent. Among the other essential steps are that:
 - Everyone – individual MPs, the leaders of the political parties and the House authorities – should recommit to the importance of embedding the Seven Principles of Public Life in the activities of the House of Commons.
 - The new independent regulator should be seen to implement the new regime to the highest professional standards and with demonstrable independence of Parliament.
 - The House of Commons, which retains responsibility for the discipline of its Members and enforcement of its code of conduct, should demonstrate that it is ready to impose robust sanctions on any MPs whose behaviour is found to be below the standards expected by the public.
32. This report is only a beginning in the important task of rebuilding the compact between the electorate and the House of Commons, without which Parliament cannot be confident of the whole-hearted consent of those they represent. If its reputation is to be restored, the House of Commons needs to act, and be seen to act, with determination and commitment in implementing our recommendations.

List of recommendations

Recommendation 1

MPs should always act in accordance with the Seven Principles of Public Life. Any future changes to MPs' expenses should be underpinned by the elaboration of those principles set out in the executive summary and repeated in Chapter 3 of the full report.

Recommendation 2

The independent regulator should annually review the maximum amounts claimable in light of inflation. It should undertake comprehensive reviews of the whole scheme at least once every Parliament.

Recommendation 3

MPs should no longer be reimbursed for the cost of mortgage interest payments or any other costs associated with the purchase of a property. No new arrangements for support of mortgage interest should be allowed from the date of this report. In future only rent or hotel costs should be reimbursed. (Transitional arrangements are dealt with in recommendations 12 to 14).

Recommendation 4

The independent regulator should commission a commercial agency to provide and maintain rented accommodation for new MPs entering Parliament at the next election along the lines of the MOD scheme for service personnel. If it proves successful, the scheme should be extended to all MPs.

Recommendation 5

The expenses scheme should continue to cover additional costs incurred wholly, exclusively and necessarily in pursuit of MPs' parliamentary duties in respect of council tax, water, electricity, gas, and other fuels, telephone line rental and calls, security, contents insurance and removal at the beginning and end of a tenancy. The costs of cleaning, gardening, furnishings and any other items should not be reimbursed or otherwise covered.

Recommendation 6

The designation of main and second homes should be determined according to an objective test, consistently applied and robustly enforced by the independent regulator. Any changes in designation should be scrutinised with particular care.

Recommendation 7

The recent removal of the right to claim additional accommodation expenses from MPs with constituencies wholly within 20 miles of Westminster should be extended to those whose constituency homes fall within a reasonable commuting distance. The independent regulator should draw up a revised list of constituencies to which this principle applies.

Recommendation 8

The London costs allowance should be reduced from the beginning of 2010-11 to the level recommended by the SSRB in 2007, uprated in line with the Public Sector Average Earnings Index to allow for the passage of time.

Recommendation 9

The independent regulator should determine an appropriate level of London costs allowance for MPs outside the Greater London area who do not receive taxpayer-funded accommodation.

Recommendation 10

Only MPs who stay in a hotel should in future be entitled to claim for the costs of food, currently up to a maximum of £25 per night and within the overall ceiling for accommodation expenses. Reimbursement should be on the basis of receipted expenditure only.

Recommendation 11

The independent regulator should have the discretion to respond appropriately to requests from MPs for assistance to address particular needs.

Recommendation 12

MPs with existing mortgages supported through the expenses scheme should continue to be entitled to claim the cost of mortgage interest on their current property until the end of the next Parliament, or for five years if that Parliament does not continue for a full term. They should not, however, be able to amend their mortgage agreement in any way which would increase the amount they are able to claim.

Recommendation 13

Any capital gains after the date of this report in the value of accommodation purchased with the help of public funds should be surrendered to the Exchequer. The amount to be surrendered should be proportionate to the extent of public funding during the transitional period.

Recommendation 14

MPs who share second home accommodation as partners should be entitled between them to claim up to a limit of one individual cap on rent or mortgage payments, plus one-third.

Recommendation 15

MPs should no longer be able to appoint members of their own families to their staff and pay them with public funds. Those currently employing family members should be able to continue to do so for the life of one further Parliament or five years, whichever is the longer.

Recommendation 16

The work of MPs' staff, both in Parliament and in their constituencies, should be subject to robust independent audit as part of the new assurance arrangements. This will ensure that resources provided out of public funds are being used only for the purpose intended and not to support party political activities. Should any MPs or their staff be found to be abusing the system other than inadvertently, they should face strict penalties.

Recommendation 17

A code of conduct for MPs' staff should be developed by the House of Commons, setting out appropriate restrictions on party political activities. Responsibility should rest with individual MPs to ensure that their staff abide by the code. MPs should sign an annual declaration confirming that they have abided by the code of conduct and used resources intended for parliamentary purposes appropriately.

Recommendation 18

Subject to the outcome of the House of Commons Commission Report on central employment, MPs should continue to be able to select and directly appoint their own staff. Appointments should be made on the basis of merit and open recruitment. The House of Commons authorities should issue binding guidance, accompanied by a code of practice, setting out the processes to be followed by MPs when recruiting staff (including those working in constituencies) and on other matters of good employment practice, including disciplinary and grievance procedures. MPs should receive appropriate training and HR support.

Recommendation 19

MPs' staff should no longer receive redundancy pay from the winding-up allowance. Redundancy pay should be paid centrally by the House of Commons authorities, and the size of the winding-up allowance reduced accordingly.

Recommendation 20

Particular attention should be paid in the more robust audit now being introduced to ensure that the administrative and office expenditure allowance is not being used to provide benefit to a party political organisation. Should the audit show it to be necessary, the independent regulator should ban payments from expenses to party political organisations.

Recommendation 21

Equipment purchased through the administrative and office expenditure budget should be regarded as public property. The independent regulator should issue guidance putting this principle into practice in a pragmatic way.

Recommendation 22

MPs should no longer be entitled to claim for accountancy costs to help fill out tax returns.

Recommendation 23

The communications allowance should be abolished. MPs should continue to be able to communicate proactively with their constituents, but the cost should be met from within the reformed administrative and office expenditure allowance. The current cap on postage and stationery, and the rules regarding proactive communications, should remain in place.

Recommendation 24

MPs should meet the cost of normal commuting journeys themselves, as do most of their constituents. MPs whose constituencies are beyond daily commuting distance should continue to be reimbursed for the cost of travel between their constituencies and London residences.

Recommendation 25

MPs should not be allowed to claim for the cost of travel to or from a home which is neither in nor close to their constituency.

Recommendation 26

Travel expenses should only be claimed for journeys where the primary purpose and predominant activity are the fulfilment of parliamentary duties.

Recommendation 27

MPs should continue to be permitted to claim for first class train travel for longer journeys where issues of space or privacy in which to work make this appropriate. However, MPs should always ensure that value for money for the taxpayer is provided when making travel arrangements. The audit arrangements should include proportionate checks to ensure that this is happening in practice.

Recommendation 28

MPs who represent constituencies beyond a reasonable commuting distance from Parliament should continue to be entitled to claim for travel for family members. Reimbursement should only be claimable for travel between the constituency and London, and vice versa. Best value for money should always be pursued in purchasing these tickets and only the cost of standard class tickets should be claimable. Claims for family travel when Parliament is not sitting should only be permitted in exceptional circumstances.

Recommendation 29

Receipts and explanations of the purpose of the journey should be required for all travel claims. Where mileage is claimed, details of the distance and purpose of each journey should be provided. Details of individual travel claims by MPs should be available online.

Recommendation 30

The resettlement grant should be retained for MPs who lose their seats at a general election, as the result of deselection or because of boundary changes. MPs who voluntarily stand down at a general election should no longer receive the grant. They should instead receive eight weeks' pay from the date of the general election.

Recommendation 31

The resettlement grant should be paid at a rate of one month's salary for each year of service as an MP up to a maximum of nine months' salary, as proposed by the SSRB.

Recommendation 32

The new arrangements for the resettlement grant should not apply at the next general election, but should come into force immediately after that.

Recommendation 33

Where an MP is found to have seriously abused the expenses system or otherwise seriously breached the Code of Conduct, the Standards and Privileges Committee should always consider recommending that the House reduce or remove the resettlement grant from that MP as part of any sanctions to be imposed and should be prepared to do this for past as well as for future breaches of the rules. The new statutory scheme should empower the House of Commons to impose such a sanction by resolution.

Recommendation 34

MPs should remain free to undertake some paid activity outside the House of Commons, provided it is kept within reasonable limits and there is transparency about the nature of the activity and the amount of time spent on it.

Recommendation 35

Consideration should be given to ways of increasing the accessibility and usability of the Register of Members' Financial Interests.

Recommendation 36

MPs should be required to register positions of responsibility in voluntary or charitable organisations, even if unpaid, together with an indication of the amount of time spent on them.

Recommendation 37

All candidates at parliamentary elections should publish, at nomination, a register of interests including the existence of other paid jobs and whether they intend to continue to hold them, if elected. The Ministry of Justice should issue guidance on this in time for the next general election. Following the election, consideration should be given as to whether the process should become a statutory part of the nominations process.

Recommendation 38

The MPs' Code of Conduct should be revised to allow complaints to be made against an MP who is a former minister and who takes on outside paid employment but does not follow advice provided by the Advisory Committee on Business Appointments (ACOBA).

Recommendation 39

Any MP whose presence in London on business related to their parliamentary role is infrequent should be expected to stay in hotels rather than claim the cost of permanent accommodation in London.

Recommendation 40

The practice of permitting a Westminster MP simultaneously to sit in a devolved legislature should be brought to an end, ideally by the time of the elections to the three devolved legislatures scheduled for May 2011.

Recommendation 41

The independent regulator should have a statutory duty to support MPs efficiently, cost-effectively and transparently in carrying out their parliamentary functions.

Recommendation 42

Responsibility for maintaining the register of financial interests and the associated code of conduct should be removed from the independent regulator and returned to the House of Commons.

Recommendation 43

The independent determination of MPs' pay and pensions should be entrenched in primary legislation in the same way as expenses. The independent regulator should therefore be given statutory responsibility for setting MPs' pay levels and overseeing MPs' pensions as well as for dealing with expenses.

Recommendation 44

Responsibility for investigating allegations about breaches of the rules on expenses should be vested in the independent regulator, which should be able to appoint its own compliance officer for this purpose. The compliance officer should be able to conduct an investigation on his or her own initiative, at the request of the independent regulator, or in response to a complaint from a member of the public or an MP.

Recommendation 45

The independent regulator's enforcement regime should be strengthened by giving it the power to:

- Compel MPs to cooperate with the new body, including through the provision of relevant information.
- Require the repayment of wrongly paid or misclaimed sums, with associated costs if appropriate.
- Impose, subject to the procedural safeguards laid out in the Act, its own non-parliamentary sanctions for breaches of the expenses regime (including where necessary of a financial nature) analogous to those available to HMRC and DWP, without the need to report to the Commissioner for Parliamentary Standards.

Recommendation 46

The appointments of the chair and members of the regulatory body should be carried out with the involvement of an independent panel, following the Commissioner for Public Appointments Code of Practice, to advise the Speaker's Committee.

Recommendation 47

The chair of the new regulatory body should be appointed for a single, non-renewable five year term. The other members of the new body should in principle be appointed on the same basis. But some flexibility may need to be shown in relation to those appointed in the first round.

Recommendation 48

The Speaker's Committee on the independent regulator should include three lay members drawn from outside Parliament who have not previously been MPs or peers. They should be chosen through the official public appointments process and formally approved by the House.

Recommendation 49

The independent regulator should be placed under a general duty to act openly and transparently, to give reasons for any revisions to the expenses scheme, and to report, and take account of, the views of the general public as well as the House of Commons.

Recommendation 50

The Parliamentary Commissioner for Standards should be able to conduct investigations without waiting for a formal complaint and should include in any report to the Standards and Privileges Committee an indication of the seriousness of any breaches in the rules or code of conduct which have occurred. The Commissioner's reports should continue to be published.

Recommendation 51

There should be at least two lay members who have never been Parliamentarians on the Standards and Privileges Committee. Their appointment should be made in the same way as that of the lay members of the Speaker's Committee of the independent regulator.

Recommendation 52

The external members of both the Standards and Privileges Committee and the Speaker's Committee of the independent regulator should have full voting rights. If the House authorities are of the opinion that clarifying the question of parliamentary privilege in that regard requires an amendment to the Parliamentary Standards Act, the Government should facilitate this

Recommendation 53

The sunset provisions in the Parliamentary Standards Act 2009 should be repealed.

Recommendation 54

At the end of each financial year MPs should be required to complete an annual compliance statement certifying that all claims made during the financial year complied with the principles and rules of the new scheme, and that any actual or suspected breaches have been reported.

Recommendation 55

An induction session on the new scheme should be offered to all MPs. If an MP does not undertake the induction session within the requisite period, the independent regulator should consider deferring payments due under the scheme until the induction session has been completed.

Recommendation 56

MPs should be required to sign a declaration on every claim that each item of expenditure was incurred wholly, exclusively and necessarily in the course of their parliamentary duties and that it complies with the principles and rules that are set out in this Report.

Recommendation 57

Receipts or other documentary evidence should be required for all claims.

Recommendation 58

The independent regulator and the House of Commons should establish a joint audit committee to oversee the assurance arrangements for MPs' expenses, facilities and support arrangements. The chair and the majority of the membership of the audit committee should be independent of Parliament. The joint audit committee should publish an annual report on its activities and its opinion on the effectiveness of the system of internal controls of the new independent regulator and the House of Commons.

Recommendation 59

Effective whistleblowing procedures should be introduced by the independent regulator and by the House of Commons.

Recommendation 60

The independent regulator should continue to publish, at least quarterly, each individual claim for reimbursement made by MPs with accompanying receipts or documentary evidence. The information published should not be confined to claims actually reimbursed.

Summary of key reforms to the expenses regime

Accommodation		
Past arrangements	Interim measures	Proposed future system
MPs were able to claim up to £24,222 towards accommodation costs. Claims could include mortgage interest, rent or hotel costs.	Claims can include mortgage interest, rent or hotel costs up to a maximum of £1,250 per month.	Support will only be provided for rent or hotel costs. MPs will have accommodation directly provided by the new regulator through an agency. Bills will be paid directly by that agency. Under transitional arrangements, MPs with existing mortgages will be able to claim for mortgage interest until the end of the next Parliament.
MPs could claim not only for basic costs such as utilities, council tax, and building and contents insurance but also for services such as cleaning and gardening and for items such as white goods.	MPs can only claim for costs such as utilities, council tax, service charges, and building and contents insurance.	MPs will only be able to claim for basic costs such as utilities, council tax, and contents insurance.
MPs could claim for the cost of maintaining their properties, including any repairs or redecoration. Claims could not in principle be made for anything improving the capital value of a property.	MPs can no longer claim for the costs of furnishing, repairs, or maintenance.	Interim arrangements to be made permanent.
MPs could claim £25 a night for food without needing to provide receipts when staying away from their home.	MPs can claim £25 a night for subsistence without needing to provide receipts when staying away from their home.	Only MPs staying in hotels will be able to claim for the costs of meals up to £25 a night. Receipts will be required.
MPs with constituencies in outer London can claim for the cost of a second home if they so wish.	From April 2010 MPs with constituencies in outer London will no longer be able to claim for the cost of a second home. (Permanent change)	No MP who represents a constituency falling within a reasonable commuting distance of Parliament will be eligible to claim for the cost of a second home.
MPs did not have to pay capital gains tax on the sale of second homes.	MPs should pay capital gains tax on the sale of second homes funded by the accommodation allowance.	Any capital gain made during the transition period and attributable to support from public funds should be surrendered to Parliament.

Accommodation		
Past arrangements	Interim measures	Proposed future system
MPs who do not claim for the cost of accommodation instead receive a £7,500 London costs allowance	No change.	London costs allowance should be reduced to the level recommended by the SSRB (which would currently be £3,760). There should be a higher allowance for those with constituencies outside the Greater London area who do not receive taxpayer funded accommodation. Commuting MPs who work late can claim for cost of travel home or overnight hotel.
In practice though not in principle MPs could allegedly change the designation of their main and second homes to maximise personal benefit.	No further changes to be made to designation of second homes in 2009-10, with a transparent appeal procedure for exceptional cases.	Designation of second homes to be determined in line with rigorously enforced objective rules policed by the new regulator.
Ministers who have the use of grace and favour homes in London can claim the costs for a second home in London as well.	Ministers living in grace and favour homes in London can no longer claim for the costs of a second home in London	Interim measure to be made permanent.
MPs who share accommodation can each claim the full allowance.	MPs who share accommodation as partners are limited to claiming a maximum of one person's accommodation allowance between them.	MPs who share accommodation as partners should be entitled between them to claim up to a limit of one individual ceiling, plus one-third.

Staffing	
Current arrangements	Proposed future system
MPs may currently claim up to £103,812 to employ staff to support their parliamentary duties.	No change.
Staff are appointed and employed by MPs.	Staff will continue to be recruited by MPs, but must be appointed through an open and transparent process.
MPs may employ members of their own families using public funds.	MPs will no longer be allowed to use the staffing allowance to fund the employment of family members. Transitional arrangements will allow existing family members to remain in their posts for one more Parliament.
It is a breach of the House of Commons Code of Conduct for MPs' staff to be used in support of party political activities.	It remains a breach of the House of Commons Code of Conduct for MPs' staff to be used in support of party political activities. But there should be a code of conduct for staff, and MPs should sign an annual declaration confirming that they have abided by the code and used parliamentary resources appropriately.
Pay ranges are set centrally, though MPs have discretion as to where to place staff within the pay scale. MPs have discretion to award bonuses up to a certain limit.	MPs should continue to set their staff's pay in accordance with central pay scales. Guidance on good employment practice should be issued by the new regulator.
Staff receive their redundancy pay from the winding-up allowance.	Staff redundancy pay should be provided centrally by the new regulator and the size of the winding-up allowance reduced <i>pro rata</i> . Redundancy pay for MPs' staff should be paid centrally by the new regulator.

Administrative and office expenditure	
Current arrangements	Proposed future system
MPs can claim up to £22,293 to meet office running costs and pay for additional services.	No change.
MPs can rent offices and pay for services from party political organisations, provided that the political party does not benefit. An independent valuation is required prior to renting from a party political organisation.	New audit arrangements should ensure that parliamentary funds are not used either intentionally or inadvertently to give rise to material benefits for political parties. An independent valuation should still be required prior to renting from a party political organisation.
On leaving Parliament MPs retain ownership of office equipment purchased with public funds.	Equipment purchased using public funds should remain the property of Parliament.

Communications	
Current arrangements	Proposed future system
MPs may claim a £10,400 a year communications allowance to communicate proactively with constituents.	No communications allowance. Proactive communication must be paid for out of the existing administrative and office expenditure budget. Current policing arrangements should continue to apply.

Travel	
Current arrangements	Proposed future system
MPs may currently claim for all costs of travel for parliamentary duties between home, constituency, and office.	MPs will no longer be able to claim for reasonable commuting costs and must pay for these in the same way as their constituents. No MPs can claim for the cost of journeys to a home outside the constituency or London.
MPs may travel first class.	MPs should always consider value for money in purchasing tickets. They may still be able to claim for first class rail travel where they can justify it, but can only claim for economy class travel on flights within the UK or Europe.
MPs may claim for the cost of family travel up to a set limit.	MPs may continue to claim for the cost of family travel up to the limits currently in place. However, they may no longer claim for first class travel for family members, and may only claim for family travel during recess in exceptional circumstances.
MPs do not have to submit supporting evidence for journeys below a certain <i>de minimis</i> level, depending upon constituency size.	MPs should submit receipts and details of all journeys, to be published online. Where appropriate, class of travel should also be published.
MPs may claim up to three return visits a year to national parliaments of Council of Europe member states, and EU institutions and agencies. For each visit the Member may claim for two nights' subsistence.	No change.
MPs may claim for the cost of staff travel up to a set limit.	No change.

Leaving office	
Current arrangements	Proposed future system
MPs who lose their seats or stand down at a general election receive a resettlement grant of between 50 and 100 per cent of annual salary.	MPs who lose their seats at a general election should receive one month's pay for every year served up to a maximum of nine months salary. MPs who stand down at a general election should receive eight weeks' pay from the date of the general election in lieu of notice to cover time spent winding-up offices, dealing with staff, and transferring casework. Loss of resettlement grant should be one of the sanctions considered as a penalty for MPs found guilty of breaching the Code of Conduct.
MPs may claim for the costs of a winding-up allowance to meet necessary expenditure incurred after leaving office – e.g. to settle outstanding bills or pay staff who have been given notice.	No change to claims for the winding-up allowance. The amount claimable should be reduced to reflect the fact that redundancy pay for staff should in future be paid out of a central budget.

About the Committee on Standards in Public Life

1. The Committee on Standards in Public Life is an advisory Non-Departmental Public Body (NDPB) sponsored by the Cabinet Office. The Chair and members are appointed by the Prime Minister. The Committee was established in October 1994, by the then Prime Minister, Rt Hon Sir John Major, with the following terms of reference:

“To examine current concerns about standards of conduct of all holders of public office, including arrangements relating to financial and commercial activities, and make recommendations as to any changes in present arrangements which might be required to ensure the highest standards of propriety in public life.”

2. The remit of the Committee excludes investigation of individual allegations of misconduct.
3. On 12 November 1997 the terms of reference were extended by the then Prime Minister:

“To review issues in relation to the funding of political parties, and to make recommendations as to any changes in present arrangements.”

Membership of the Committee for this Inquiry¹

Sir Christopher Kelly KCB (Chair)

David Prince CBE

Lloyd Clarke QPM

Dr Elizabeth Vallance JP

Sir Derek Morris MA Dphil

Dr Brian Woods-Scawen DL CBE

Dame Denise Platt DBE

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4. David Doig, a former Principal Clerk in the House of Commons, acted as an adviser to the Committee.
5. The Committee is grateful to the following MPs for allowing members of the Committee to shadow or observe them in their work:

Member of Parliament	Constituency
Paul Burstow MP	Sutton and Cheam (Liberal Democrat)
Rt Hon Andrew Smith MP	Oxford East (Labour)
Jeremy Wright MP	Rugby and Kenilworth (Conservative)
Barry Sheerman MP	Huddersfield (Labour/CO-OP)
Jacqui Lait MP	Beckenham (Conservative)
John Mann MP	Bassetlaw (Labour)
Sir Peter Soulsby MP	Leicester South (Labour)

6. Advice and assistance to the Committee for this inquiry was also provided by Treasury Solicitor's Department.

Secretariat

7. The Committee is assisted by a Secretariat: Ruth Alaile (Secretary); Peter Hawthorne (Assistant Secretary); Martin Adams (Senior Policy Advisor); Rachel Finlay (Policy Assistant); Anju Still, (Business Manager); Matthew Dowding (Secretariat Co-ordinator); and Maggie O'Boyle (Press Officer). Gloria Durham also provided assistance to the Committee for part of the inquiry. The Secretariat provides policy advice, drafting and all aspects of the organisational and logistical support required by the Committee to operate effectively.

¹ The three political representatives on the Committee: Oliver Heald MP; Baroness Maddock; and the Rt Hon Alun Michael MP, decided not to take part in this inquiry because of concerns about a real or perceived conflict of interest. For further information see the Committee's statement on involvement of political representatives, published on 3 April 2009.

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