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HOUSE OF COMMONS
LONDON SW1A 0AA

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Sir Christopher Kelly KCB
Committee on Standards in Public Life
35 Great Smith Street
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Further Evidence

09 April 2009

Dear Sir Christopher,

Thank you very much for meeting with me last week. I found our discussion very useful.

Today I have put some initial proposals for reform of the system of allowances and expenses for Members of Parliament into the public domain (attached). These set out the direction I think we must go in to meet the higher expectations of an increasingly sceptical public.

I intend to put forward these proposals as the basis of any discussions between myself, Gordon Brown and David Cameron. I would also welcome an opportunity to discuss them with you in greater detail should you find that useful.

Yours sincerely,

Nick Clegg MP
Leader of the Liberal Democrats

REFORM OF ALLOWANCES AND EXPENSES FOR MEMBERS OF PARLIAMENT

*Nick Clegg MP – Leader of the Liberal Democrats
(April 2009)*

The ongoing controversy over the expenses system is having a hugely damaging effect on public confidence in MPs and politics. The behaviour of a small minority of politicians has played a major role in this collapse in confidence, but there has also been a collective failure to agree on a system that is seen as fair and transparent.

In recent years MPs from both the Labour and Conservative parties have voted against proposals made by the Members Estimates Committee to toughen the expenses regime, or have attempted to block Freedom of Information regulation that would see MPs' expenses subjected to public scrutiny.

It is clear that the status quo cannot now continue. That is why we need talks between the three party leaders to create a swift resolution and introduce a set of rules that would enable MPs to do their jobs and enjoy public confidence. It is important that the system is fixed as soon as possible, rather than waiting for a committee to report in five or six months' time.

Such a system should be based on clear principles:

- Taxpayers have a right to know how their money is being spent
- All expenses have to be justified on the basis of enabling MPs to do their job
- Reform should not increase, and should ideally reduce, the total cost of politics to the taxpayer.

Our Proposals

The phrase 'MPs' expenses' actually covers a range of different areas. What follows are our proposals for each of them.

Accommodation

Most MPs, who do not live in or near London, need to have accommodation available in London so that they can represent their constituencies in Westminster during the week, before returning to the constituency to work at the weekend. MPs that live in London likewise need to have accommodation in their constituencies.

In 2009 MPs (except those in inner London) can spend up to £24,222 to assist with their accommodation, under the heading PAAE (personal additional accommodation expenditure). Inner London MPs, and those who do not wish to receive it, can opt to spend £7,500 to assist with London living costs.

Proposals for reform:

Principle of assistance

MPs need to have provision to meet additional costs of accommodation, but any such provision should be rigorously tested to ensure value for money.

Purchase of property

No further arrangements by MPs to purchase property through personal additional accommodation expenditure should be entered into.

There should be a period of 36 months after which no further expenditure will be permitted in support of mortgage interest payments.

Personal additional accommodation expenditure

Personal additional accommodation expenditure should be restricted to rental agreements, utility bills, and council tax. The overall allowance should be substantially reduced.

Payment of personal accommodation expenditure should be on the basis of the production of bills and rental agreement only.

Personal additional accommodation expenditure should not be available to MPs representing constituencies in Greater London.

If two or more MPs co-habit, total permitted personal additional accommodation expenditure should be divided by the number of co-habitees.

London Costs Allowance

All MPs should be entitled to the London Costs Allowance, to be regarded as taxable income instead of claimed in tax-free expenses.

First and second homes

Designation of first and second homes should be independently approved to ensure that payments reflect the necessary circumstances of Members in fulfilling their parliamentary duties and value for money to the tax payer.

'Grace and favour' housing

The taxpayer should only assist in paying for MPs accommodation once. In the event that an MP takes ministerial office and receives 'grace and favour' accommodation, payments of personal additional accommodation expenditure should cease.

Staffing

MPs need staff to assist in answering correspondence, taking up the concerns of constituents with Government offices and other organisations, planning meetings with the people, organisation and businesses in their community, and researching issues that MPs wish to speak on in Parliament.

In 2009 MPs are permitted staffing expenditure not exceeding £103,812 to assist them in their duties.

Proposals for reform:

The employment of all family members should be automatically entered in the Register of Members' Interests by the Department of Resources, including job description, hours of work and salary.

The number of family members employed should be recorded in the publication of expenses, against the provision for staff salary expenditure.

MPs employing family members in their offices submit a detailed CV, including relevant experience and qualifications, to the House of Commons Human Resources department to verify their competence in the position to which they've been appointed.

A full and up to date record of all staff employed should be retained by the House authorities, setting out details of persons employed, in what capacity they are employed, and how much they are earning, and that an independent check be undertaken each year in respect of a small number of MPs' offices.

The Register of Staff Interests be extended to include all staff employed by Members.

Offices

In order to do the job that constituents expect their MP to do, it is important that MPs are provided with the appropriate resources to support them in that job. Often, it makes sense to establish an office in the constituency from which an MP and his or her staff can work. The House of Commons doesn't provide an office and so one has to be rented commercially. There are also associated running costs such as office expenses for computers, printers, telephones, electricity, water and lights.

In 2009 MPs can spend £22,393 to assist with these office costs under the heading of administrative and office expenditure.

Proposals for reform:

The House of Commons and Members of Parliament are duty bound to secure value for money in providing administrative and office expenditure.

The proposal agreed by the House to procure constituency office space directly is a very costly scheme. Instead, exceptional costs should be rigorously assessed on a case by case basis.

Travel

Like many in the private sector, MPs need to travel in order to do their job properly. MPs need to be able to travel to and from Westminster, to represent their constituents' interests. They also need to travel around their constituencies to be able to meet constituents who wish to raise concerns. Occasionally, it is necessary to represent those interests in Brussels. Unlike many private companies, MPs are not provided with a car. Instead, they are able to claim expenses for that travel.

Currently, MPs can claim 40p for each mile up to 10,000 miles and 25p for each mile thereafter. Rail and air tickets can be claimed at cost.

Proposals for reform:

The rates for mileage should be regularly reviewed to make sure they reflect the costs incurred.

That the House should only pay mileage costs incurred between the constituency and Westminster to a maximum of the cost of a standard open return between the constituency and Westminster.

Journeys should be identified for claims of less than 350 miles in the same way that they are currently for claims above this level.

Communications Allowance

MPs are permitted, within rules laid down by the House, to spend money communicating with their constituents and informing them of their activities.

In 2009 MPs will be permitted to spend £10,400. This has been fixed for the next three years.

Proposals for reform:

Whilst it is in peoples' interests to be informed of their MP's activities, expenditure should be tightly audited to ensure that it is not spent on party campaigning.

Salary of Members of Parliament

The salary of Members of Parliament was formerly determined independently by the Senior Salaries Review Board. Now it is up-rated by a Government formula, adopted by the House, in July 2008. The House of Commons is responsible for authorising all public spending and so MPs vote on their own salary and, if they choose to, could vary that formula. Most recently, the formula produced a rise of 2.33%.

In 2009 the annual salary of a Member of Parliament is £64,766

Proposals for reform:

There should be no review of MPs' salaries whilst the UK is in recession.

Only then should the salaries of MPs be comprehensively reviewed by the Senior Salaries Review Board and thereafter up-rated by a measure to be determined by the SSRB.

MPs should pass a clear resolution denying themselves the right determine their own salary.