


# Annual Review of Assurance

2017-18

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# **Independent Parliamentary Standards Authority**

## **Annual Review of Assurance 2017-18**

15 November 2018

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## Executive summary

We are pleased to present IPSA's second Annual Review of Assurance. We began publishing this annual document last year, to meet IPSA's obligation to assure the public about how taxpayers' money is being spent by Members of Parliament.

This document covers all of the activity we undertook during the 2017-18 financial year to ensure that claims for MPs' business costs and expenses were appropriately evidenced and compliant with our rules. This includes our validation processes, where we check claims individually either before or after payment; and our assurance work, which examines specific areas of expenditure in depth. The document also covers a policy review we conducted on how MPs use their budgets to rent constituency offices.

This document comprises five sections. **Section 1** provides an introduction to IPSA's regulatory role. **Section 2** describes our approach to validation and assurance and how this has changed since IPSA's establishment.

In **Section 3**, we provide information on the pre-payment validation activity which took place during 2017-18. Likewise, **Section 4** provides information on post-payment validation during the year. Through these processes we can be confident that the vast majority of claims submitted by MPs are legitimate and compliant with the Scheme of MPs' Business Costs and Expenses; and that, where we discover ineligible claims that have to be repaid, they are nearly always a result of misunderstanding or administrative error.

Lastly, **Section 5** summarises the findings from the thematic reviews that were undertaken during 2017-18. We explain why we chose to look at these areas of expenditure, what we found and what we have done in response to the findings. In a small number of cases, this thematic assurance work leads to the recovery of sums from MPs and/or tightening up of our checks and processes. It also contributes to our understanding of how MPs use IPSA funding to carry out their parliamentary work, and how IPSA can support MPs better.

# 1 Introduction

1. The Independent Parliamentary Standards Authority (IPSA) is the regulator of business costs and expenses for Members of Parliament in the UK. Our founding legislation gives us a dual role: to ensure that MPs are resourced appropriately to carry out their parliamentary functions; and to ensure that MPs' use of taxpayers' money is transparent and well regulated.
2. To do this, we established the *Scheme of MPs' Business Costs and Expenses*<sup>1</sup> ('the Scheme'), which sets out rules for what MPs can and cannot claim. The Scheme is underpinned by Fundamental Principles which apply to MPs, in making claims, and to IPSA, in administering them. These principles state that MPs can only claim for costs that are parliamentary; must act with probity; must seek value for money in their claims; and are accountable for what they spend. Meanwhile, they also state that IPSA must treat MPs fairly; operate transparently; and regulate efficiently, cost effectively and proportionately.
3. In order to assess the level of assurance that IPSA's Board and its Chief Executive, as Accounting Officer, can have that money paid to MPs through IPSA's accounts is spent properly, we have processes in place to check the compliance of MPs' claims with the Scheme – both with the specific rules and with the Fundamental Principles.
4. In addition, this work enables us to seek continuous improvement in the way we support MPs and administer their claims. A better understanding of MPs' spending patterns and financial requirements also informs IPSA's future policy making.
5. For the purposes of this document, we have used the term 'assurance' broadly to include both validation, meaning the checking of individual claims, and thematic assurance work, meaning the analysis of expenditure across all MPs to establish patterns and make an assessment of compliance.

## What this document covers

6. This document covers all of the assurance work which took place in the 2017-18 financial year. This covers three types of activity:
  - Pre-payment validation;
  - Post-payment validation; and
  - Thematic assurance reviews.
7. This year, the document also covers a policy review undertaken into MPs' constituency offices.
8. We have provided summaries of the work undertaken and, where appropriate, we have also explained how our findings from these activities have been used. Some have led to further investigation of specific claims or areas of expenditure. In a few cases, we have recovered

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<sup>1</sup> The Scheme can be viewed online on our website: <http://www.theipsa.org.uk/publications/scheme-of-mps-business-costs-expenses/>

money from MPs which was incorrectly claimed and paid. In all cases, we seek to use assurance activities to support the continuous improvement of IPSA's processes and rules.

9. The reports of a thematic assurance review on the 2017 General Election and a policy review on MPs' constituency offices have been published in full on our website.

## 2 Overview of assurance at IPSA

10. IPSA processes between 150,000 and 180,000 claims for MPs' business costs and expenses each financial year – an average of up to 15,000 per month – with an annual total value of £15-18 million<sup>2</sup>.
11. In the early days of IPSA, our process reflected what we assessed to be much higher risks in the wake of the 2009 expenses scandal and IPSA's priority at the time to avoid any mistakes. For instance, all claims were validated by at least two people before payment. This was burdensome for IPSA and unhelpful for MPs who were waiting on reimbursement. As it became clear that the vast majority of MPs' claims were for routine accommodation, office and travel costs and did not need excessive amounts of inspection, and also that we were working from a solid base of compliance by MPs with the rules, our approach evolved to reflect this.
12. As a result, we reduced the proportion of claims that are checked before payment, while introducing processes to examine expenditure across MPs, by type and over time. Our current approach to validation and assurance uses evidence in determining risk and maintains efficiency so that we can reimburse MPs and suppliers as quickly as possible.
13. There are three tiers of assurance processes, covering pre-payment validation; post-payment validation; and thematic reviews of expenditure across all MPs, focusing on a specific theme or area of expenditure. This approach allows us to be targeted and risk-based at the beginning of the process, whilst also being able to identify unusual claiming patterns or outliers which might signal the need for a more detailed examination.
14. The robustness of the three-tiered assurance process means that we have a high level of confidence that taxpayers' money is being paid appropriately to MPs to support their parliamentary work. At the same time, the risk-based approach allows us to focus on our role in supporting MPs, by providing advice and guidance and ensuring that payments are made efficiently.

### Pre-payment validation

15. The first tier of validation takes place before payment. At this stage a sample of claims are individually checked. The sample is made up of a mix of randomly selected claims and certain claim types that have been identified as priority risks. All other claims are paid upon receipt of evidence and checked in the subsequent validation processes described below.
16. **Section 3** provides a summary of the pre-payment validation activity which took place in 2017-18.

### Post-payment validation

17. Second-level validation takes place after payment. It is a retrospective exercise which examines all of an MP's claims at least annually, or more frequently where necessary. The benefit of this

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<sup>2</sup> This includes claims for reimbursement and direct payments to suppliers only; it does not include other business costs such as the salaries of MPs' staff members, which are checked through other processes.

post-payment validation is that it enables IPSA to look at an MP's claims in context, meaning that we can identify any unusual patterns, outliers or repeated errors which would not be seen through pre-payment validation of individual claims. It also means that we can efficiently pay the majority of claims without burdensome pre-payment checks. Where the validators identify claims which should not have been paid, the MP is asked to repay the money.

18. **Section 4** provides a summary of post-payment validation activity in 2017-18, including the outcomes from this work.

## **Claim reviews**

19. Claim reviews are not strictly part of the three-tiered approach, as they take place on an ad hoc basis (normally at the request of the MP). They are, however, a crucial way of checking that the decisions made during the first and second validation tiers are sound, consistent and in accordance with the Scheme rules.
20. Where a claim, or part of a claim, is determined as ineligible in either pre-payment validation or post-payment validation, the MP may request an internal review of this decision. The review is carried out by IPSA's assurance team, who are separate from the team responsible for conducting the earlier validation processes, in order to provide a degree of independence.
21. If the claim review determines that IPSA's decision not to pay a claim (or to recover money that has been paid) was due to an error or an incorrect application of Scheme rules, then the MP's claim is eligible and will be paid. On the other hand, the review may uphold IPSA's original decision. In these cases, the MP can appeal to the Compliance Officer<sup>3</sup> if they choose.

## **Thematic reviews**

22. The third tier is the programme of thematic assurance reviews which are carried out by IPSA's assurance team. Thematic reviews examine aggregate spending by all MPs in a specific category or range of categories. Any significant outliers or unusual patterns will be identified and followed up, for example by contacting the MPs in question to seek assurance that the rules were well understood and that the claims were compliant.
23. These thematic reviews have confirmed a high degree of compliance amongst MPs. In a small number of cases, the findings lead to repayment of costs by MPs; and in rare cases, we have referred claims to the Compliance Officer (for example, where we believe there may have been intentional abuse of the rules).
24. More often, we use the understanding and insight gained through thematic reviews to inform other areas of our work. For example, where a review has revealed that our operational processes have not been effective in implementing rules or in supporting MPs to comply with

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<sup>3</sup> The Compliance Officer for the IPSA is an independent statutory office holder. They can conduct an investigation if they have reason to believe an MP may have been paid an amount that should not have been allowed; or can at the request of an MP review a decision by IPSA to refuse reimbursement for a claim. The Compliance Officer reports to, but is not directed by, IPSA's Board and is wholly independent of IPSA's executive.



the rules, we consider whether adjustments are needed to improve them. Likewise, where a review has revealed that certain rules are poorly understood by MPs, we have looked to improve our communication of the rules concerned.

25. The topics for thematic assurance reviews are agreed each year by IPSA's Assurance Group of senior managers. The Group considers the perceived risk of error or non-compliance in certain areas of spend and feedback from operational teams within IPSA, MPs and other stakeholders. Significant events, such as elections and referendums, can carry a unique set of risks or challenges, and therefore have often been the subject of thematic reviews.
26. The reviews conducted during 2017-18 are each described in more detail in **Section 5**, including the actions we have taken as a result of the findings. The full reports are published on the IPSA website<sup>4</sup>.

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<sup>4</sup> The full reports on the 2017 General Election and MPs' constituency offices can be found here: <http://www.theipsa.org.uk/publications/assurance-reports/>. The reviews of Scheme rule changes are part of a larger piece of work which will be completed in 2018-19 and will be published in full at a later date.

### 3 Pre-payment validation in 2017-18

27. We processed 160,797 claim lines for MPs' business costs and expenses in 2017-18. About a quarter of these (42,614) related to payments made by IPSA directly to a supplier (e.g. for stationery, rent and pooled services). The rest related to costs which MPs had paid and for which they later claimed reimbursement. (These figures do not include payments that were made for the salaries of MPs' staff members.)
28. In line with our risk-based pre-payment validation process, around 58% of the reimbursement claims<sup>5</sup> we received (69,093) were paid without validation. We say that these lines have been 'streamlined'.
29. The remainder (49,090 lines) formed the sample selected for individual validation. These were a combination of claims randomly selected each day and those which fall into categories that are considered at higher risk of error.<sup>6</sup>
30. For each of these, a validator in IPSA's operations team checked each line of each claim to determine whether:
  - the MP had provided sufficient information;
  - the cost was assigned to the correct expense type; and
  - the evidence provided matched the information in the claim and the amount.
31. Of the 49,090 lines that were individually validated, a total of only 126 lines (0.3%) were not paid.
32. The average time it took in 2017-18 for IPSA to reimburse MPs' claims, including those which are individually validated, is 5.8 days from the point at which we receive the receipt or invoice. This was much quicker than the Key Performance Indicator, which was 12 days at the time.

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<sup>5</sup> We also put payments made by MPs using the IPSA payment card and travel purchases from a direct supplier in this category.

<sup>6</sup> The proportion of claims examined individually was higher than in the previous year, due to the 2017 General Election. We validated all of the claims from departing MPs and new MPs following the election.

## 4 Post-payment validation in 2017-18

33. The process for post-payment validation was amended in 2017-18 to make better use of information about risks. In most cases, checks occur annually, taking into consideration all of an MP's claims during that period in order to identify trends, patterns, outliers and possible errors, such as duplicate claims. If a specific risk is identified, these checks may take place more frequently, on a quarterly basis.
34. There were 1,021 post-payment validation reviews conducted in relation to claims made in the 2017-18 year: 320 quarterly checks and 701 annual checks.
35. Post-payment validation in 2017-18 led to the following further actions:
  - **Corrections to expense type:** There were 1,179 items identified through reviews as being coded by MPs to the incorrect expense type, although they were legitimate claims. We have made the necessary corrections to the online claims system.
  - **Further investigation:** There were 1,397 items flagged for further investigation, e.g. a need to request additional evidence. We contacted the MPs concerned in all cases.
  - **Repayments:** There were 288 claims identified through post-payment validation for repayment by MPs, with a total value of £37,017. This represents about 0.2% of all claims submitted in the year. The figures for comparison from 2016-17 were 164 claims repaid with a total value of £11,661.

## 5 Thematic reviews in 2017-18

36. There are four reviews covered in this year's Annual Review of Assurance. A significant piece of work during the year was a review of costs associated with the 2017 General Election. The second substantial review was carried out with the intention of examining the funding provided to MPs to rent constituency offices, rather than to check for issues of compliance. We have also begun reviewing the impacts of changes to the Scheme rules which came into effect in April 2017.
37. This section provides summaries of each of these pieces of work, including why the topic was examined; a summary of findings; and where relevant, the actions taken as a result.

### 2017 General Election

38. IPSA's work during the year was dominated in large part by the June 2017 General Election and our role in supporting new, returning and departing MPs and in regulating the relevant costs. This is reflected in the fact that the main thematic assurance work consisted of a large-scale review of election-related costs.

#### *Why did we look at this topic?*

39. Expenditure before, during and after a General Election is of interest from an assurance perspective for a few reasons. The large turnover in the membership of the House of Commons at a General Election necessarily means increased costs for those leaving Parliament – including payments made to their staff whose employments come to an end – and those newly elected. It is also important to understand MPs' expenditure during this period in order for us to plan more accurately for elections in future.
40. There is a specific risk in election periods that MPs or their staff may use IPSA funding or resources in aid of campaigning activities. MPs cannot claim for any costs related to campaigning. Where MPs used their offices – either wholly or partly – for campaigning purposes, they were required to repay an appropriate proportion of their rent to IPSA, and could do the same for other costs such as website hosting costs if they wanted to put campaigning content on their websites. Similarly, the staff members who wanted to undertake campaigning were required to take either paid (annual) leave or unpaid leave.
41. Additionally, the unexpected timing of the 2017 election presented unique circumstances which impacted on the costs incurred by MPs. For example, some departing MPs found themselves tied into leases and other contracts which were agreed when it was assumed that the parliament would run the full five years. These issues presented an unexpected challenge for IPSA's policies and processes.

#### *What did we find?*

42. The review looked at expenditure across all expense types falling in the period after Parliament was dissolved before the election (3 May – 8 June 2017) and the winding-up period (9 June – 8 August 2017), as well as payments made to former MPs and their staff after the election (Loss of Office payments and redundancy, pay-in-lieu-of-notice and untaken leave payments).

43. Based on the evidence and information available, we were able to assess that there was broad compliance by MPs with the Scheme rules in the periods examined. A number of changes to the Scheme rules which came into effect in April 2017 meant that MPs and staff had a better understanding of the simplified rules and that some types of claims were no longer considered ineligible.<sup>7</sup>
44. We have estimated the overall additional cost of MPs' expenditure due to the General Election to be £5.9 million. This includes the full start-up supplement<sup>8</sup>, all winding-up costs, gross Loss of Office Payments (LOOP) made to MPs, accommodation costs for departing MPs and redundancy payments made to the staff members of departing MPs. This total figure is less than half of the cost calculated following the 2015 election (£13.2 million). The much lower costs can be attributed to the much lower 'turnover' of MPs – there were 99 new MPs in 2017, compared with 198 in 2015 – as well as the truncated parliamentary term and the resulting impact on payments made to departing MPs and staff members.
45. In examining claims made during the dissolution period, we identified several which would not have been claimable in a normal planned election period. For example, several MPs made claims for advertising in local newspapers which were scheduled to be distributed during the dissolution period; these would normally be deemed to be campaigning in a pre-election period. However, we did not find any evidence of deliberate non-compliance with the Scheme.
46. The total value of travel claims made by MPs during the dissolution period was 9% lower when compared with the same period in 2015. However, the costs for staff travel were 31% higher than in 2015. This is most likely a result of changes to the Scheme which clarified that staff who normally worked in London could claim for travel to and within the constituency during the dissolution period. In one case, we found that a staff member's mileage claims had increased considerably, which prompted a further review; this is detailed further below.
47. Claims worth £12,700 were made by 99 MPs for capital purchases in the dissolution period. Such claims were within the rules. In line with IPSA's approach at the time, there was no monitoring of what happened to the equipment purchased by MPs who left Parliament. As described below, we are considering a new requirement for former MPs to make a declaration of how they have disposed of their IPSA-funded equipment.
48. MPs who lost their seats at the election were entitled to a Loss of Office payment (LOOP), equal to twice the prevailing statutory redundancy rate. The LOOP arrangements replaced the resettlement payments paid to departing MPs after the 2015 General Election, and were introduced to bring savings to the taxpayer whilst aligning the payments made to departing MPs with similar payments elsewhere. Departing MPs in 2017 received an average payment of £8,800, 71% less than the average resettlement payment to departing MPs in 2015. The total cost of LOOP following the 2017 General Election was £582,100, with individual payments ranging from just under £2,000 to £29,300 for the 66 eligible departing MPs.

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<sup>7</sup> For example, in previous versions of the Scheme, there were limits to the number of journeys MPs and their staff could claim for during the dissolution period; and a ban on purchasing any capital equipment for six months prior to an election.

<sup>8</sup> New MPs may spend an additional £6,000 in office costs in their first year.

49. When an MP leaves Parliament, they are required to make their staff redundant. In total, there were 476 staff leavers due to their employing MP either standing down or losing their seat at the 2017 General Election. 47% of departing staff members were not eligible for a redundancy payment in 2017 because they had less than two years' service, compared with 29% of departing staff in 2015. This is due in part to their shorter average length of service at the time of the 2017 election.
50. Of these departing staff, 128 (27%) were re-employed by another MP within 10 weeks, and in 42 cases there was no gap in employment. In 13 cases, there was an overlap between employment with the departing MP and employment with another MP. We found that a small number of staff were employed by two MPs concurrently on contracted hours that exceeded 60 hours per week. We have tightened up our processes to ensure such cases are queried in future, to provide assurance of good employment practice.

### **2017 General Election – Key facts**

The additional cost of MPs' expenditure directly relating to the General Election totalled £5.9 million.

Departing MPs only spent on average 58.3 per cent of their Winding-Up Expenditure budget. Winding-up costs totalled £3.16 million.

MPs made repayments of approximately £55,600 for use of their offices for campaigning during the dissolution period (as of 31 October 2017).

In total £202,600 was spent on terminating MPs' office and accommodation leases, as a result of the unexpected timing of the election.

Loss of Office payments (LOOP) paid to MPs who lost their seats at the General Election totalled £582,100. This represented an average payment of £8,800 per MP.

Staff redundancy payments totalled £1.4 million, which was paid from IPSA's central contingency budget.

£436,700 was paid to 401 staff members for untaken holiday.

51. As with the 2015 election, we recognised the risk that departing MPs may wait to give notice to their staff in order to provide them with more financial support. We carried out in-depth analysis of pay-in-lieu-of-notice (PILON), comparing payments made with staff members' contracted notice periods, and estimated that around 48% of PILON paid to departing staff members was potentially avoidable<sup>9</sup>. This was a 10-20% reduction in avoidable PILON when compared with the 2015 General Election. The Scheme includes guidance to state that MPs who leave Parliament should issue notice 'at a point which allows them to wind up their affairs effectively and minimises the cost of pay-in-lieu-of-notice to the taxpayer'. While we recognise that departing MPs should have the discretion to arrange their staffing resource as needed during the winding-up period, we expect MPs to have regard to value for money.

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<sup>9</sup> To estimate the proportion of avoidable PILON, we looked at payments made to staff members whose notice periods extended beyond their last date of employment and whether notice could have been given earlier.

52. Departing staff members are entitled to receive any accrued but untaken annual leave as a payment. In response to findings after the 2015 election, we updated the Scheme from 1 April 2017 instructing MPs that new staff members could only carry over five accrued annual leave days per leave year. However, the requirement could not be enforced for existing staff members and could only be applied to new staff contracts. In total, £436,700 was paid to 401 departing staff members for untaken leave, with a mean average payment of £1,100 (similar to what was observed in 2015). 75% of staff members who received a payment for untaken holiday received a payment for more than five days.
53. In one instance, a staff member was paid for more days than they could have accrued given their length of service. In the letter of notice issued by the MP, this leave was described as being for 'untaken holiday', and no additional information was provided. IPSA contacted the former MP who confirmed the payment was claimed from IPSA in error and the sum has since been repaid.
54. In several cases, large sums had to be paid to terminate MPs' office or accommodation leases early. These departing MPs had entered into long-term agreements which extended beyond the winding-up period, when it was assumed that the parliament would last for a full five-year term. In total, £202,600 was spent on rental costs beyond the winding-up period, due to the unexpected timing of the election. This included £151,100 for office rental payments and £51,500 for accommodation rental payments. At the time of writing, IPSA continues to pay the rent on the office of a former MP until a new tenant can be found.
55. The 2017-18 Scheme included a new rule which stated that IPSA would not pay for any costs on office or accommodation leases beyond the two-month winding up period, and that MPs should negotiate a two-month notice period with their landlords. However, given that the 2017-18 Scheme came into effect 18 days before the General Election was announced, we recognised that this will not have given MPs sufficient time to re-negotiate their lease agreements, and we therefore took the decision to fund rental costs beyond the winding-up period where these were unavoidable. This decision was taken for pragmatic reasons and in an effort to regulate fairly.
56. No formal guidance was issued to departing MPs on the standard of evidence that IPSA would accept in order to fund these additional rental costs. IPSA staff supporting former MPs in their winding-up were given guidance on the information to be sought, e.g. information about what attempts a former MPs had made to renegotiate their lease and when they gave notice to their landlord. However, this information was not collected or assessed in a systematic way and there were inconsistencies in the evidence provided by MPs to support these claims. Analysis of evidence provided by departing MPs showed disparity in the attempts made to reduce the costs and a pre-approved standard was not enforced by IPSA to ensure consistency.

#### *How have we responded?*

57. The findings of the thematic review on the 2017 General Election have informed a number of recommendations. The majority of these focused on staffing costs and aimed at improving IPSA's processes for collecting information about the payments made to departing staff members at the request of MPs. These are detailed in the full report.

58. Over the coming months we will look to make improvements to our operational processes to ensure that repayments for the use of IPSA-funded offices and equipment (whether in the context of an election or otherwise) are made in a timely manner; and that payments to MPs' staff members for untaken leave are accurately recorded as annual leave, overtime or time-off-in-lieu (TOIL). We will also consider whether departing MPs should in future have to declare as part of winding-up how they disposed of their IPSA-funded capital equipment.
59. As part of the review of MPs' remuneration conducted during 2018, we reconsidered the arrangements in place for LOOP, in light of findings from this assurance review and feedback from MPs and former MPs. A compelling argument was the potential for financial difficulty for departing MPs who needed to work for two months to wind up their offices, whilst not receiving a salary and not being able to start any new employment. Following consultation, we have decided to provide an additional payment to MPs who lose their seats (as well as those who stand down at a snap election), equal to two months' net salary, to be paid at the start of the winding-up period. This change will come into effect at the next General Election.
60. In a small number of cases, the review led to further investigation. For instance, the analysis of staff travel claims in the dissolution period showed a substantial increase in mileage claims made by an MP's office. The mileage claims made by one MP's staff member accounted for 18% of all staff travel within the constituency during the dissolution period, including every Saturday, and 44.2% of all mileage claims. Discrepancies were also identified in some claims between the number of miles claimed and the journey described. We have contacted the MP's office to seek assurance about these claims and to better understand the work that staff members carry out which necessitated such high levels of mileage within the constituency. At the time of writing, this is still being addressed through a separate review.
61. As mentioned above, we also identified that one departing staff member had been paid for more annual leave days than he could have accrued under the terms of his IPSA contract. Upon further investigation, it was identified that this was the result of an administrative error by the MP's office. The extra payment has been recovered.

### **MPs' constituency offices (policy review)**

62. This review was slightly different from other thematic reviews in that it was not focused on assurance about compliance with the Scheme. Instead, we were interested to find out more about MPs' constituency offices, how MPs use the office cost budget to rent them and any issues they might face in renting a suitable office.

#### *Why did we look at this topic?*

63. We have had some feedback from MPs and their staff that the office costs budget is not always sufficient to allow MPs to rent suitable office space in their constituency, as well as cover their other office costs. We also occasionally receive formal requests for contingency funding to cover high office rental costs in specific areas (notably, other big cities outside of London).
64. This review was conducted in order to gain a better understanding of how MPs currently spend their budgets on renting an office; the quality of MPs' constituency offices; the factors that can



impact on costs; and whether any additional funding or other changes to IPSA's approach are needed in order to support MPs better.

### *What did we find?*

65. The review made use of a number of different data sources. We looked at data on office rental claims on IPSA's system; analysed a sample of constituency office leases; examined past applications for contingency funding; and researched office rental costs across the UK. To find out more about the views and experiences of MPs and staff members, we also conducted a survey, which received 145 responses, and made visits to six MPs' constituency offices.
66. According to MPs who participated in the review, the biggest issue in renting office space is high local rental costs. This was particularly relevant to non-London MPs with expensive towns or cities in their constituency. Other related issues were around having to compromise on the size, layout and/or location of the office, either due to affordability or to the availability of premises in the constituency.
67. We examined expenditure data from 2016-17, when 577 MPs claimed for rental costs from the office costs budget. There was a large amount of variation in the amounts claimed, but half of MPs claimed between around £5,500 and £9,800 during that year; and 90% of MPs claimed £12,300 or less. London area MPs paid the highest rent amounts per office on average, 10% more than MPs from Scotland (the next highest-claiming group).

#### **MPs' constituency offices – Key facts**

Half of MPs spent between around £5,500 and £9,800 on renting a constituency office in 2016-17, though there was considerable variation outside this range.

London MPs spent the most in office rent on average (per office). The next highest spending group was Scottish MPs followed by those in North West England.

Only 6% of all MPs claim for the costs of renting more than one office (as at May 2018), but the proportion is much higher among Scottish MPs (19%) and Northern Irish MPs (18%).

An estimated 10% of MPs have arrangements in place to share their constituency offices, for example with another political office holder.

68. However, there was considerable variation amongst MPs from the same region, and on the whole there were few determinants of costs per office across all MPs. We looked at constituency geographic size, population density and the urban/rural nature of constituencies but could not find any correlation with the amount spent on office rent.
69. One thing that can put pressure on an MP's budget is renting more than one office. As at May 2018, 35 MPs rented two constituency offices from the office costs budget. Scottish and Northern Irish MPs were most likely to rent more than one constituency office; and a higher proportion of MPs in large constituencies rented a second office.

70. On the other hand, some MPs do not claim for office rent from IPSA, either because they have premises funded by other sources, they use a home office, or they base all of their staff in Westminster rather than in the constituency.
71. The review estimated that about 10% of MPs have an arrangement in place to share their offices, for instance with another political office holder, party association or other company. Those MPs who shared offices spent slightly less on average on rent (30% of the budget compared with 36%).
72. IPSA does not hold complete information on the types of landlords MPs rent their offices from, but we used the survey responses and information from a sample of leases to draw up an approximate picture. The majority of MPs appear to rent from private landlords, with the next largest group renting from the local political party or party association. Again, it was difficult to determine from the data how the type of landlord impacted on costs.
73. As part of the review, we hoped to find out more about the quality of MPs' constituency offices, such as size, layout, condition, security and accessibility. From the survey and case studies we were able to gather MPs' views about what factors were most important in selecting an office and what compromises on quality they felt they needed to make to stay within budget, but it was difficult to draw any conclusions across MPs.

#### *How have we responded?*

74. While our policy review was informative as to the variety of circumstances and factors which can impact on MPs' ability to rent a suitable office, without more information about the quality of offices that MPs have and should be able to expect, we did not feel we had sufficient evidence to determine whether the office costs budget needs adjustment.
75. As a next step, we have committed to developing a set of recommended quality standards for MPs' constituency offices during 2019. These would not be strict requirements, but rather guidelines regarding things like size based on staff numbers, layout, facilities, security features and disabled access. This will serve two main purposes: for one, it may help MPs who are searching for a constituency office to find suitable office premises by providing guidance on what they could look for in their new office.
76. Second, it may in future enable MPs to make a case for an increased budget by providing a benchmark against which they can give evidence of the costs in their constituency of finding office premises which meet the recommended quality standards. This would be a more proactive and rigorous process than IPSA's current contingency process, which is better suited to one-off exceptional costs. In time, we expect to build up a larger volume of evidence which may indicate that change to the office costs budget is needed for some or all MPs.

#### **Impact of Scheme changes to hospitality rules**

77. This is the first of a series of targeted and relatively small-scale reviews examining the impact of recent changes to Scheme rules. The preliminary findings are summarised below, and the full document examining the impact of changes to the Scheme will be published in due course.

### *Why did we look at this topic?*

78. Earlier editions of the Scheme allowed MPs to claim for hospitality, such as tea and coffee for visitors to their constituency offices. This was removed in 2015. As part of the comprehensive review of the Scheme in 2016, we received feedback from some MPs and staff members that they should be able to use their budgets to offer modest refreshments, given the number of visitors they can expect to receive at their offices. We reconsidered our position, and as a result we once again allowed hospitality claims from the 2017-18 Scheme.
79. The Scheme does not define 'hospitality' or set any monetary limits on such claims; it is within an MP's discretion to use their office costs budget as they see fit to support their parliamentary work. We also believed there to be a low risk that MPs would begin making extravagant claims in this category, e.g. for expensive professional catering. Nevertheless, we were interested to know what the take-up was of hospitality claims during 2017-18.

### *What did we find?*

80. The review found that the total amount claimed for hospitality in 2017-18 was £7,600. As expected, this was a very small proportion of MPs' overall costs.
81. Hospitality claims were made by 124 MPs during 2017-18. Most were for low-value items; individual claims ranged from £1 up to £297<sup>10</sup>, with a median value of £7. About 90% of all hospitality claims were below £40. The total amounts claimed by individual MPs varied widely, ranging from less than £1 to about £530 during the year.
82. For comparison, we looked at hospitality claims in the 2014-15 financial year, in which the total claimed was much higher (£19,890). Although a similar number of MPs made claims that year (160), there were more high-value claims, ranging up to over £1,000.
83. Analysis of the hospitality claims in 2017-18 showed that the majority were for items such as tea, coffee, water and milk. We took a random sample of 50 of these claims to examine the evidence provided in detail. Two claims were found to have insufficient evidence. In one

#### **Hospitality claims – Key facts**

The total amount claimed for hospitality costs in 2017-18 was £7,600.

The majority of claims were for low-value items, with a median value of £7.

instance, the evidence suggested that the cost was actually incurred in the 2016-17 financial year, when it was not allowable.

### *How have we responded?*

84. The findings of this review have not indicated that the change in rules regarding hospitality costs has resulted in any additional risks, and we do not have any evidence of inappropriate claiming. The full report, when published, will include any relevant recommendations.

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<sup>10</sup> This amount was found to be an ineligible claim and was repaid, as explained in paragraph 86.

85. We contacted one MP who claimed £297 for hospitality costs in the 2016-17 financial year, when these were not eligible under the Scheme and received a repayment of this amount.
86. There is a need to clearly communicate to MPs the standard of evidence required to support a claim. For hospitality claims, we expect itemised receipts or invoices so that the eligibility of the items purchased can be assessed (for example, the Scheme prohibits claims for alcohol). We are preparing guidance to MPs about the quality of evidence expected for different types of claims and will ensure through our validation processes that these requirements are more consistently enforced in future.

### **Impact of Scheme changes to late-night hotel and taxi rules**

87. Our examination of late-night hotel and taxi claims is the second of our small-scale reviews examining the impact of recent changes to Scheme rules. The preliminary findings are summarised below, and the full document examining the impact of changes to the Scheme will be published in due course.

#### *Why did we look at this topic?*

88. The Scheme allows MPs to claim for a taxi fare to their London area residence, or for a stay in a hotel, when they have been working late. Prior to April 2017, the Scheme rules stated that taxi journeys could be claimed only when the House of Commons was sitting beyond 11pm; and that hotel costs could be claimed only when the House of Commons was sitting beyond 1am. Taxi fares were also capped at £80.
89. As a result of the comprehensive review of the Scheme, we simplified a number of the travel-related rules, including those on late-night working. Since 2017-18, MPs can now claim for a taxi fare or for a hotel room if they were working late beyond 10pm. There is no longer a requirement that the House of Commons needs to be sitting late, as we recognise that MPs may be working on other parliamentary matters. We also removed the cap on taxi fares.
90. We conducted this review in order to find out how the simplification of these rules has impacted on MPs' claiming during 2017-18.

#### *What did we find?*

91. The review found that there were 512 claims made by 137 MPs for late-night taxis in 2017-18, at a total cost of around £11,000. For comparison, we examined late-night taxi claims made in 2016-17, and found that these had totalled less than £3,000.
92. Most taxi claims in 2017-18 were fairly modest in value; the average was £21.50 and the median £13.50, with 95% of claims at less than £65. There were some higher-value outliers, up to £180 (this claim was for a number of journeys over a one-month period).
93. 90% of MPs claimed for less than £200 in late-night taxi fares in total throughout 2017-18. However, the total claimed by individual MPs during the year ranged from £6 up to £1,500.

94. The review looked at a random sample of 50 late-night taxi claims and found that, for half of these, the receipt provided did not show the time the journey was undertaken. Two claims did not have any supporting evidence.
95. With regard to late-night hotel costs, a total of £26,300 was claimed in 2017-18 by 27 MPs. The total amounts claimed by individual MPs during the year ranged from £125 up to £4,500. By comparison, the amount claimed for late-night hotels in 2016-17 was about £3,400 (though the rules at the time restricted such claims to occasions when the House was sitting beyond 1 a.m.).
96. We tested a sample of 30 late-night hotel claims and found that eight were not supported by sufficient evidence. For example, in a number of cases a booking confirmation had been submitted, rather than an invoice.

#### **Late-night hotel and taxi claims – Key facts**

The total amount claimed for late-night taxis in 2017-18 was £11,000. For late-night hotel stays it was £26,300.

The amount claimed by individual MPs varied widely; between £125 and £4,500 for hotel claims and between £6 and £1,500 for taxi claims.

#### *How have we responded?*

97. As with the preliminary findings on hospitality claims, the findings on late-night hotel and taxi claims were not a cause for significant concern about the impact of the rule changes, or reveal any heightened risk of inappropriate claiming. The full report, when published, will include any relevant recommendations.
98. We are preparing guidance to MPs about the quality of evidence expected for different types of claims and will ensure through our validation processes that these requirements are more consistently enforced in future.

## 6 Conclusion

99. IPSA's validation and assurance work during 2017-18, as summarised in this document, indicates that there has been overwhelming compliance by MPs with the rules. The Scheme which came into effect at the start of 2017-18 provided greater discretion for MPs to make decisions about what costs were necessary for their parliamentary work. Our initial findings indicate that MPs have exercised this discretion appropriately and in line with the principles of the Scheme. We will continue to assess the impact of recent changes to the Scheme rules in the coming year.
100. The evidence of previous years shows that the vast majority of transactions with MPs are low-risk. Our processes are designed with this in mind, in order to limit the administrative burden on MPs and their staff.
101. We are nonetheless committed to continuously improving our systems and processes. Our assurance work helps us to identify where this can happen. Thus, following the work summarised in this report, we have now tightened up processes relating to MPs' winding up and payments made to staff members, so that after the next election we can have even greater confidence that taxpayers' money has been spent appropriately and with regard to value for money.
102. We also seek to ensure, through this work, that we are fulfilling our responsibilities to provide adequate financial support to MPs. Our review of MPs' constituency office costs has helped us to understand how MPs currently fund their office space and whether further support is needed. Our further work to develop recommended standards for constituency offices will continue this.
103. Validation and assurance work are continuing during the 2018-19 financial year, in line with IPSA's strategy. We expect to publish a further assurance report on this activity in November 2019.