

Minutes of a meeting of IPSA's Board

Wednesday 20 January 2016

Present: Sir Ian Kennedy, Chairman
Sir Robert Owen
Liz Padmore
Rt. Hon John Thurso
Anne Whitaker

In attendance: Marcial Boo, Chief Executive
John Sills, Director of Regulation
Judith Toland, Director of Operations and Change
Naomi Stauber, Head of Board and Chief Executive Office
Head of Communications
Head of Finance (Items 3 and 4)
Head of Policy (Item 5)
Policy Manager (Item 5)

Apologies: None

Status: Submitted for approval at the meeting of the Board on 3 February 2016.

Publication: Approved for publication.

1. Welcome and Declarations of Interest

- 1.1 The Chairman opened the meeting and welcomed those attending. In particular, he welcomed IPSA's two new Board members – Sir Robert Owen and Rt. Hon John Thurso – to their first meeting.
- 1.2 The Chairman noted that no apologies had been received.
- 1.3 The Chairman invited the Board and members of staff to declare any interests not previously recorded. No interests were declared.

2. Minutes of previous meetings and matters arising

Minutes

- 2.1 The Minutes of the meeting of the Board held on 16 December 2016 were approved.

Actions arising from the previous meeting

- 2.2 The Board noted the actions that had been completed since the last meeting.
- 2.3 The Board noted that one action had not been completed adequately within the required timeframe. In the light of this, the Board requested that IPSA's Head of Finance provide the full original budget for this financial year and the revised reforecast budget, for comparison.
- 2.4 The Board also noted that one action had not been captured correctly. It asked to receive a briefing on whether IPSA requires a prudent level of cash, rather than a "high bank balance". IPSA's Head of Finance had since provided this information for Board members in a private briefing, in addition to a number of other aspects of IPSA's financial position and management accounts.

3. IPSA's Draft Estimate for 2016-17

- 3.1 IPSA's Head of Finance introduced the report which provided the Board with the proposed Estimate for 2016-17. The Board was invited to review, comment upon and agree the Estimate, in advance of its submission to the Speaker's Committee for IPSA for approval in March.
- 3.2 IPSA's Head of Finance explained that the Estimate contains a number of subheads. Subhead A relates to expenditure on MPs. In 2015-16, subhead A included the main costs relating to the General Election, totalling an additional £30.5 million as a one-off additional cost. As such, IPSA's budget for MPs' costs in 2016-17 is lower by £22.4 million. The increase in MPs' salaries, National Insurance and other increased costs for MPs and their staff, and an additional sum for the new arrangements for funding security measures for MPs, had been factored into the budget. For these reasons, the

Estimate for subhead A is 11 per cent higher than the budget in 2015-16, prior to the General Election.

3.3 The Board noted, in particular, that

- In previous Estimates, IPSA had divided its administrative running costs between 'normal' costs (subhead B), project costs (subhead C) and the costs relating to the publication of receipts (subhead D). This had been judged necessary in the past in order to distinguish between IPSA's different activities. However, for the Estimate for 2016-17, IPSA proposes to merge these different subheads into a single subhead B to cover all of its administrative costs, to improve transparency.
- The Board endorsed this approach to subhead B. It will assist the Board and others in clearly understanding IPSA's business-as-usual running costs and thereby determine, in particular, the additional investment requested for the IPSA 2017 improvement programme and any other projects undertaken in the future.
- In addition to the detailed explanations provided for movement in the individual budgetary lines within Subhead A, the Board suggested that it may also be helpful to present the high-level movement. The Board asked to review last year's budget with and without the General Election costs, against the budget proposed, for the purposes of comparison.
- During the previous Parliament, IPSA made a commitment to (and achieved) a 5 per cent annual saving in its administration costs. This represented a total reduction of 29 per cent in real terms over that five-year period. In 2015-16 there was no increase in subhead B.

3.4 The Board agreed the draft Estimate for 2016-17 for submission to the Speaker's Committee for IPSA for approval, subject to receiving the final version, represented in the way it had suggested.

ACTION: That the Chief Executive circulate a revised draft Estimate for the Board's comment, prior to its submission to the Speaker's Committee for IPSA.

4. IPSA's Financial Position and Management Accounts

4.1 IPSA's Head of Finance introduced the report which provided an update on IPSA's financial position as at the end of December 2015. The Board reviewed the report and noted the following key messages under each subhead:

4.2 Sub-head A: The year-to-date position is showing an underspend on both MPs' costs and expenses and MPs' staff salaries, and a slight overspend against MPs' salaries. This represents a £5.09 million underspend overall, which is an increase of £1.2 million on last month's position.

- 4.3 Sub-head B: IPSA is currently projecting a year-end underspend of £316k (6.2%), which is a change from November's £280k forecasted underspend. Some of this underspend will be spent in the current financial year by bringing forward elements of the expenditure on the IPSA 2017 improvement programme, in respect of the planning for future IT and other changes.
- 4.4 Sub-head C: IPSA is forecasting a £140k underspend at year-end against the budget of £1.5 million for project costs.
- 4.5 Sub-head D: Some costs have been incurred following the Court of Appeal's decision. The forecast year-end position has fallen slightly and it is anticipated that £231k will be spent this year. These recharges are associated with the development and redesign of the necessary systems and processes to prepare for any future publication of receipts.
- 4.6 The Board noted the importance of presenting IPSA's financial position and management accounts in a way that is clear and that can be navigated easily. The Chief Executive assured the Board that the presentation of financial information, for the Board's review, will be revised in the near future, to enable it to fulfil its responsibilities as effectively as possible.

ACTION: Chief Executive to revise the presentation of the monthly financial position and management accounts, for the Board's formal review at each meeting.

5. MPs' Pay for 2016-17

- 5.1 IPSA's Head of Policy introduced the report which provided the Board with information regarding the likely increase in MPs' pay for 2016-17. The Board noted that, in July 2015 and following various consultations dating back to 2013, IPSA made a determination to increase MPs' pay by 10 per cent to £74,000 (backdated to May 2015). IPSA also confirmed that it would link future changes to the ONS' AWE-KAC9 index of average weekly earnings in the public sector.
- 5.2 The Board noted that, on the basis of the provisional ONS figure for October 2015, MPs' pay will increase by 1.3 per cent, raising their salaries from £74,000 to £74,962 from April 2016. By contrast, if IPSA had decided to index MPs' pay to the whole economy, as was initially proposed in 2013, it would have involved an annual pay increase of £1,776 this year for MPs (according to the latest index of the change in average weekly earnings of the whole economy, both public and private sectors, of 2.4 per cent).
- 5.3 The ONS will publish the revised index for October 2015 by 16 February 2016. At its meeting on 24 February, the Board will agree the final pay adjustment following any revision by ONS to the October AWE-KAC9 index.

6. Pay for Specified Chairs of Committees (Chairs of Select Committees and Members of the Panel of Chairs)

- 6.1 IPSA's Director of Regulation introduced the report which provided background information and some initial findings on the current arrangements in place for the additional pay for Chairs of Specified Committees (certain chairs of Select Committees and for Members of the Panel of Chairs). IPSA has a duty to determine the level of pay for Chairs of Specified Committees and, in the MPs' Pay and Pensions Final Report (December 2013), the Board made a commitment to conduct a full review of the current arrangements in the first year of the new Parliament.
- 6.2 The Board reviewed the current arrangements in place for paying Chairs of certain Select Committees. It noted, in particular, that:
- First, Select Committee Chairs are chosen by their peers and are accountable to them for their performance in the role, or their attendance at sittings. Notwithstanding IPSA's statutory responsibility to determine the appropriate level of pay for Chairs of Select Committee, and any mechanisms that should be used to make that determination, it is open to question about whether IPSA should make a judgement about what criteria constitutes adequate fulfilment of that role.
 - Second, the act of chairing the meetings of the respective committees is only one part of the role and responsibilities of the Chair, which encompass a number of other elements – such as liaising closely with the Clerk on the subject matter, and undertaking external visits to gather evidence.
 - On initial inspection, there may be a case to uplift the pay for Chairs of Select Committees from its current rate of £15,025 for the 2015-16 financial year. If IPSA did so, it could subsequently link the uprated amount to a percentage of MPs' pay, to be amended as such in future years. That is an option for further consideration.
- 6.3 The Board reviewed the information relating to the current arrangements in place for paying Members of the Panel of Chairs. It noted, in particular, that:
- Currently, in accordance with the motion passed by the House of Commons in 2005, pay for Members of the Panel of Chairs is determined by their level of service, in four tiers: less than 1 year of service, 1 – 3 years, 3 – 5 years, and at least 5 years.
 - One argument that had been put to IPSA in response to its 2013 public consultation on MPs' Pay and Pensions by Rt. Hon Lindsay Hoyle MP, was that the structure of the tiers did not accurately reflect the nature of the work undertaken by Chairs. He contended that a two tier model was preferable because a shorter probationary period was justified. Members should, he argued, receive the lowest available salary during their first year of service, but should automatically progress to the highest salary after the first year.

- The Board agreed that the four tier structure was not easily justified, nor does it reflect the mechanism of uprating remuneration in other professions. Those who receive a salary for a role are not automatically uprated year-on-year solely due to the length of their service, with no consideration of other criteria. If there is to be a tiered structure for the pay for Members of the Panel of Chairs, the two tier proposal is preferable. Alternatively, the tiered structure for salaries could be removed altogether.
- Another option could be to implement a tiered structure of categories for the committees that the Members of the Panel are asked to Chair, in accordance with their complexity or length.
- The Board agreed that the role and responsibilities of Members of the Panel of Chairs are less understood than those of Select Committee Chairs. As such, further information was required, prior to considering any firm proposals for change.

6.4 The Board agreed to consider the matter again at its meeting on 24 February, in the light of the additional information and further evidence required.

7. Chief Executive's Report

7.1 The Chief Executive introduced a paper setting out the organisation's activities since he last reported to the Board in December. He noted, in particular, that the performance management and reporting function had been transferred from the assurance team to the Chief Executive's Office. The Head of the Board and Chief Executive Office will be working with colleagues over the coming months to review and revise the report, to ensure that the measures provided the right type and level of information to the Board and the Executive. The Chief Executive also noted that he, IPSA's Chairman and IPSA's Compliance Officer had been invited to appear before the Committee on Standards on 2 February, to discuss a number of matters.

7.2 The Board noted IPSA's performance in December 2015, and the list of the Chief Executive's and Chairman's meetings with MPs and officials since the last report, including those that the Chief Executive had undertaken since the publication of the agenda.

8. The Board's Programme of Work from February to March 2016

8.1 The Board reviewed its programme of work for the remainder of the financial year and requested that the Head of Board and Chief Executive Office revise the programme to ensure that, at each meeting, it had the necessary time to consider and transact its business in full.

ACTION: Head of Board and Chief Executive Office to revise the Board's work programme for the remainder of this financial year.

9. Any other business

- 9.1 The Chairman enquired if there was any other business for report by the Board or the Executive. No further business was raised.

Meeting closed.