

**Minutes of a meeting of IPSA's Board**

**Wednesday 25 January 2017**

**Thursday 2 February 2017**

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**Present:** Ruth Evans, Chairman  
Sir Robert Owen  
Liz Padmore  
Anne Whitaker  
Rt. Hon Jenny Willott

**In attendance:** Marcial Boo, Chief Executive  
Naomi Stauber, Chief of Staff  
John Sills, Director of Regulation  
Alastair Bridges, Director of Corporate Services  
Vicky Fox, Director of MP Support Services  
Head of Communications (Items 3, 4, 5, 7 and 8)  
Head of Policy and Assurance  
Investigations Officer (Item 4)

**Apologies:** Compliance Officer for IPSA.

**Status:** Submitted for approval at the meeting of the Board on 22 February 2017.

**Publication:** Approved for publication.

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## **1. Welcome and Declarations of Interest**

- 1.1 The Chairman opened the meeting and welcomed those attending.
- 1.2 Apologies were received from the Compliance Officer for IPSA.
- 1.3 The Chairman invited the Board and members of staff to declare any interests not previously recorded. No new interests were declared.

## **2. Minutes of previous meetings and matters arising**

### Minutes

- 2.1 The Minutes of the meetings of the Board held on 30 November, and 14 and 15 December 2016 were approved as a correct record.

### Actions arising from the previous meeting

- 2.2 The Board noted the actions that had been completed since the last meeting. There were no matters arising.

## **3. Financial Position and Management Accounts for December 2016**

- 3.1 IPSA's Director of Corporate Services introduced the report which provided an update on IPSA's financial position as at the end of December 2016. The Board reviewed the report and noted the following key messages:
  - Overall, IPSA is forecasting a 6.5 per cent Resource DEL underspend. The underspend arises mainly on MPs' staff pay, capped expenses including security, IPSA's pay costs and unused contingency and depreciation. This underspend increased by £489k from last month. The increase of £466k in the MPs' capped budget underspend was the biggest contributing factor.
  - On capital, IPSA continues to report some small changes to the year-end forecast and is now forecasting an underspend of 20 per cent.
  - The risk of any breach of IPSA's budget control totals remains low. Following the mid-year re-set of IPSA's budgets, it has a good level of confidence in most elements of the forecast. Nonetheless, IPSA is continuing to manage a number of risks and opportunities. It is possible that further underspends will arise, including on security costs in Subhead A and capital in Subhead B. There may also be some further revisions to the year-end forecast for the IPSA 2017 improvement programme as the numbers for the final quarter of this financial year are confirmed.

3.2 The Board noted that, under Subhead A, the year-end forecast for MPs' security has further reduced to £2m to reflect the activity for the year to date. There has been a lower than expected level of spend on MPs' security following the implementation of the House of Commons' new security contract with Chubb. The spend in December was, in fact, the lowest since May. It is highly likely that total spend this year will be substantially below budget, and this will be taken in account for the proposed budget for 2017-18.

3.3 The Board noted IPSA's financial position and management accounts for December 2016.

#### **4. Resourcing for the Compliance Office in 2017-18**

4.1 In the absence of the Compliance Officer for IPSA, the Investigations Officer for the Compliance Office presented the report which set out proposals for resourcing for the Compliance Office in 2017-18, for inclusion in IPSA's Estimate. Although the proposals, as approved by the Board, will form part of IPSA's Estimate for 2017-18, the Compliance Officer's independent status requires him to submit proposals for the funding of his office separately from those brought forward for the rest of IPSA's administration.

4.2 The Board agreed a total budget of £125,000 for the Compliance Office for inclusion in IPSA's Estimate for 2017-18.

#### **5. Revised Fundamental Principles of the Scheme**

5.1 IPSA's Chief Executive introduced the report which presented a revised set of fundamental principles for the *Scheme of MPs' Business Costs and Expenses*, for the Board's review. Following IPSA's consultation on the Scheme, the Board first considered the proposed new principles in November 2016, discussing them again at its workshop in December. At that time the Board suggested that the principles should be presented to make it clear which principles applied to IPSA and IPSA's Scheme and which to MPs.

5.2 The Board agreed that the principles, as presented, clearly build on those that IPSA consulted on, incorporating the views of MPs and others, while also helpfully splitting the principles into those that relate to MPs and those that relate to the Scheme and its administration. The Board provided the Chief Executive with some minor drafting suggestions and agreed to look again at the principles in the context of the full draft Scheme at its next meeting in February.

## **6. Comprehensive Review of the Scheme of MPs' Business Costs and Expenses: Decisions on Outstanding Matters**

6.1 IPSA's Director of Regulation introduced a paper that addressed a number of outstanding issues which the Board had discussed in the context of the comprehensive review of the Scheme. At its meetings in November and December, the Board requested further information on a number of topics in order to inform its final decisions. The paper provided that additional information in each case, to enable the Board to make decisions on any changes to IPSA's existing policies.

### Employment of connected parties

6.2 The Board considered the matter of the employment of connected parties at its meeting on 30 November 2016 and discussed the responses to the consultation that had been received on the issue. The Board noted that there was no evidence of abuse of the practice. Therefore, the Board agreed that its decision as to whether to retain or end the practice in future should be reached on the basis of 'first principles'. In other words, if it chose to do so, the Board could decide to end the practice on the basis that it believes that it is simply not an appropriate use of taxpayers' money and is not consistent with modern employment practices, taking a fundamentally different, but entirely legitimate, view to its predecessors.

6.3 The Board carefully considered the issue and noted, in particular, that:

- The employment of connected parties has been a contentious issue. Under the House of Commons arrangements prior to 2010, there were no restrictions on the employment of MPs' family members. And in March 2010, following a consultation, IPSA's Board decided not to ban the practice. At that time there was consensus amongst the (then) Board that MPs' family members can provide good value for money due to their willingness to work long and anti-social hours, and should therefore be allowed and funded by IPSA as MPs' employees.
- The Committee on Standards in Public Life (CSPL) argued in 2010, and still holds the view, that the employment of connected parties is inappropriate and should end with this Parliament. The CSPL (and others) believe that the practice is not appropriate in a modern workforce, not least because it can be perceived as providing personal gain to MPs and their families at the taxpayers' expense.
- In 2015, IPSA conducted a detailed assurance review of connected parties which found no compliance concerns. But the review also acknowledged that there were few controls in place to actually identify wrongdoing, and it continues to be an issue of concern amongst some members of the public, and MPs' staff members who are not connected parties. This assurance review was published in May 2016.
- However, a number of MPs have strongly expressed their views about the value of having people close to them whom they can trust to support them in their parliamentary work. The Board acknowledged the need for MPs to employ people

they can trust but, on balance, did not consider that these can only be connected parties. Employing staff that can be trusted is important in many professions within the public sector and these need not be people who are related to the employer.

- In reviewing the issue, the Board went back to ‘first principles’ and considered the practice on its own merits and to what degree it aligns with good practice in recruitment and employment. The Board were of the view that, in agreement with the CSPL, the employment of connected parties is out of step with modern employment practice, which requires fair and open recruitment and management of staff. The Board were keen to promote and encourage good practice in recruitment amongst MPs, to help them to be modern and professional employers which will, in turn, help to encourage greater diversity among MPs’ staff.
- In the ensuing discussion the Board noted that ending the funding for the employment of connected parties, in of itself, would not achieve this objective because MPs are the employers of their staff and, regardless of whether MPs’ staff are connected parties or not, ending the practice will not necessarily encourage the adoption of recruitment and other employment best practice. But overall, the majority of the Board agreed that, by ending the funding for connected parties IPSA would send a clear signal (as the regulator of those costs) that it expects MPs to move towards more modern practices when recruiting and managing their staff, as well as to ensure the proper use of public funding.
- The Board further noted that other legislatures have followed this practice; the employment of connected parties is already restricted in the legislatures of Scotland, Australia, Canada and New Zealand.
- On balance, and in the light of all these factors, the Board agreed to end funding for new employees who are connected parties from the next General Election.
- The Board agreed that the restriction will not be introduced until the next Parliament, to allow for the possibility that some MPs have already committed to employ a family member or business partner. All those connected parties employed prior to the day of the next General Election will not be affected. Their contracts will be honoured as long as they remain employed by the MP concerned.
- The Board was clear that its decision was not based on any identified abuse. It agreed with the MPs who told IPSA that connected parties regularly go ‘above and beyond’ in supporting MPs in their constituency. Nonetheless, the Board was determined that, in order to encourage good practice in recruitment and employment by MPs, and to assure the public about the appropriate use of taxpayers’ money, IPSA should restrict the practice in future. On balance, the need for good employment practice which is transparent and encourages diversity outweighs the benefits which some MPs find in being able to employ connected parties.

### Constituency mileage

- 6.4 The Board agreed that the current system of claiming and reimbursement for MPs' business costs and expenses, with the production of evidence of expenditure, is the fairest and most transparent for the public. However, it was keen to explore ways in which IPSA can achieve further simplification of processes in the future. Constituency mileage is a strong candidate for simplification and one possibility, aimed at reducing the burden on MPs and their staff when claiming for mileage incurred in within-constituency travel, was to introduce a lump-sum budget for these costs.
- 6.5 The Board therefore agreed to explore the possibility of piloting an approach whereby MPs receive advance payments for this form of travel and reporting is kept to the essential details. This is something that the Board was keen to consider for the 2018-19 financial year.

### Dependant uplift to rental accommodation budget

- 6.6 The Board noted that it wished to take account of MPs' diverse working arrangements in setting the rules of the Scheme, so MPs with varying personal and family circumstances can carry out their role. It also wanted to ensure that the Scheme does not unduly deter people from any part of society from seeking to become an MP. It agreed that any changes to the Scheme should support MPs in maintaining and arranging their personal lives in a way that is most appropriate for them.
- 6.7 The Board considered the matter of financial support to MPs' families and, specifically, IPSA's policy of allowing MPs who are eligible for a rental accommodation budget to claim an uplift for each dependant to enable them to stay with them in London.
- 6.8 In line with the Board's desire to simplify the Scheme, it decided to remove the requirement that MPs' dependants must 'routinely' reside with them. It noted that the word was not defined, and it was difficult for IPSA to regulate. To qualify for a dependant uplift in future, it will be sufficient that an MP has registered dependants for whom they need to provide accommodation.
- 6.9 The Board also agreed to increase the uplift in the accommodation budget available to MPs with registered dependants to rent property. As such, from 1 April 2017, this will rise to a maximum of £5,435 per dependant. This was calculated based on the difference between the average rental price for a one-bedroom property and the average rental price for a two-bedroom property in the London boroughs of Westminster and Lambeth, where most MPs rent accommodation. MPs will be able to claim the additional amount for up to three uplifts.

### Staff travel

- 6.11 The Board considered changes to the rules on staff travel aimed at providing more flexibility for staff to claim for travel when supporting an MP in their parliamentary role. The Board reviewed the data that had been provided to inform its decision and agreed to remove the limit of 96 single journeys per year for staff travel between Westminster and the constituency.

### Associated costs

- 6.12 The Board considered the matter of claims for associated costs by MPs who choose not to rent accommodation but rather to live in a property they own. The consultation document sought views on this arrangement, recognising that it could be perceived as a subsidy of the costs of running a privately-owned home and therefore as rendering a personal benefit to the MP. Additionally, IPSA asked whether the existing budget of £8,850 was appropriate.
- 6.13 The Board agreed to allow MPs to continue to claim for associated costs on property they own, rather than claiming for rental costs. It noted that, regardless of whether an MP lives in rented or owned accommodation, IPSA's duty is to support them in a job which requires them to work in two places. IPSA would not wish MPs to be financially disadvantaged because they need to run a home in two locations and, on that basis, the Board decided not to change the budget limit for 2017-18.
- 6.14 However, recognising that the current budget was set as a transitional measure back in 2012, the Board did agree to reduce this budget to £5,000 from the next Parliament. This will reflect more accurately what most MPs actually spend on associated costs (which is currently around £4,250) and will bring the budget more into line with the associated cost element of the budget for MPs who rent accommodation. This measure will be introduced following the next General Election to allow for a transition period for the few MPs who currently claim more than £5,000.

### Automatic notice for MPs' staff

- 6.15 The Board considered the matter of MPs giving notice to their staff when they stand down or are defeated at election. It noted that IPSA's assurance review of the spending incurred by MPs during the General Election in 2015 found that a total of almost £650,000 in Pay in Lieu of Notice (PILON) was paid to staff where the MP either stood down or was defeated in 2015. IPSA estimated that between £380,000 and £435,000 of this could have been avoided if MPs had given their staff more timely notice.
- 6.16 The Board was initially minded to introduce automatic notice for MPs' staff at the start of the two-month winding up period, to ensure that an undue delay in giving notice does not result in a large amount of avoidable PILON. However, the Board ultimately deemed this approach to be an undue intrusion into the relationship

between MPs and their employees. The Board also recognised that it could create problems for MPs whose staff may have notice periods of much less than the winding up period, but who may be needed to wind up the office.

- 6.17 Instead, the Board agreed to add clear guidance to the Scheme stating that MPs who leave Parliament after a General election should give their staff notice of redundancy as early as possible, whilst still enabling them to wind up their affairs effectively. At the next General Election, IPSA expects MPs to set an example of good employment practice in this regard and to seek value for money for the taxpayer.

#### Late night taxis and hotels

- 6.18 The Board noted that, during the consultation, MPs expressed frustration about the more restrictive rules that IPSA introduced in 2015 relating to hotel and taxi claims when working late in Parliament. Currently, MPs can claim for hotels when the House of Commons sits after 1am, or for taxis to their London accommodation when the House sits beyond 11pm. Claims for taxi fares have been subject to an upper limit of £80 per journey.
- 6.19 MPs told IPSA in their responses to the consultation that they cannot always plan ahead for late sittings of the House and that, after 1am, it is difficult to find a hotel room for the night. They also linked the rule on taxis home to MPs' security, especially for female MPs who need to travel home late at night. The Board listened to this feedback and agreed that the rules of the Scheme should not put MPs at unnecessary risk in carrying out their parliamentary work. As such, it agreed to allow MPs to claim for late night taxis and hotels whenever they are working on parliamentary matters past 10pm (whether or not the House itself is sitting past that time), and also removed the upper limit of £80 for a taxi journey home to the MP's London residence.
- 6.20 The Board noted that, if its concern is to ensure that MPs can travel safely back to their London residence, it does not make sense to impose an arbitrary cost cap. IPSA does, of course, expect MPs to have regard to the Scheme's value for money principle in making these claims, and IPSA will trust MPs to make those judgements with value for money for the taxpayer in mind, and in the knowledge that all claims will be published on IPSA's website.

### **7. Review of Pay Ranges for MPs' Staff**

- 7.1 The Board reviewed the findings and recommendations of a market review of pay ranges for MPs' staff that had been commissioned by IPSA, for the first time since the organisation was set up. The review was completed in December 2016 and examined the job markets in London and other locations across the UK including the South of England, the Midlands, the North, Scotland, Northern Ireland and Wales. The types of employers examined by the review included think tanks, policy agencies, not-for-profit organisations, local and central government, universities and private sector companies (excluding banking).



- 7.2 The report made recommendations for new staff pay ranges, aimed at bringing them in line with the wider market. The recommended ranges included increases in most cases (to both the minimum and maximum of individual ranges), and significant increases of more than 20 percent to the minima of certain ranges. In addition, the recommended ranges ensure that all staff would be paid at least the voluntary living wage in and outside London.
- 7.3 The Board accepted the staff pay ranges recommended by the market review and agreed that they should be implemented from 1 April 2017. The new ranges will ensure that the pay of MPs' staff reflects the wider market and that they receive a fair salary for their role and at least the voluntary living wage.

## **8. MPs' Budgets for 2017-18**

- 8.1 IPSA's Director of Regulation introduced the report which sought decisions from the Board on the levels for MPs' budgets in 2017-18. The report drew upon inflation rates and analysed the relevant data to set out some initial findings and recommendations for the budget levels for the next financial year. It also provided the Board with an indication of the overall cost of any possible increases to the budgets.
- 8.2 The Board agreed:

### Staffing Expenditure budget

- a) To increase the MPs' staffing budgets by the minima of the salary ranges recommended by the independent market review, plus 1 per cent to allow MPs to give their staff (including those at the top of the range) an annual pay increase in line with public sector pay policy.

### Office Costs Expenditure (OCE) budget

- b) To increase the OCE budget by CPI inflation (as at December 2016). In addition, it agreed to implement a one-off lump increase of £1,000 to reflect the additional costs for the provision of broadband (if required) and the requirement for all MPs' offices to have scanners in preparation for the launch of IPSA's new expenses system in October 2017.

### Accommodation Expenditure budget

- c) To increase the London Area rental budget, using data from the Valuation Office Agency, to a level that reflects the average rental prices of a one-bedroom flat in the London boroughs of Westminster and Lambeth, where most MPs currently rent. This will be £22,760 per year (which also includes an increased nominal amount for associated costs).

- d) To implement an increase to the Non London Area rental budget. This will be £15,850 for 2017-18.
- e) To increase the dependant uplift to £5,435 per dependant per year, to mirror the difference between the average rent for a one-bedroom property and a two-bedroom property in Westminster and Lambeth.
- f) To implement no change to the associated costs budget in 2017-18.

#### Hotel claims

- g) To implement no change to the budget limit for hotel claims. This will remain at £150 per night on hotel claims for London and Europe and £120 for Non London.

#### London Area Living Payment (LALP)

- h) To increase the budget by CPI inflation.

#### Winding-up and Start-up budgets

- i) No changes.

## **9. Chief Executive's Report and IPSA 2017 Highlight Report**

- 9.1 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 as IPSA enters 2017, it is halfway through a major corporate transformation. First, it is about to launch a new set of Scheme rules. Second, IPSA will complete and implement its wholesale change programme to revamp and modernise its IT, systems and processes. Third, it will publish IPSA's first annual assurance report on MPs' expenditure which will visibly demonstrate to the public that IPSA is clear about its regulatory responsibilities to the taxpayer. IPSA is on track to achieve each of these goals.
- 9.2 The IPSA 2017 improvement programme is progressing well. IPSA is within budget and has laid good foundations with MPs and their staff for the intense and demanding engagement work that will begin in a few months. IPSA has also finished the first scoping phase of the organisational design work.
- 9.3 The Board reviewed the organisational performance report for December and noted, in particular, that IPSA's performance during the month continued to be strong across all business areas. For reasons relating to the House of Commons' decision to contract Chubb to assess MPs' security, the volume of security applications fell to 11 in December compared to 23 in November. These were all processed swiftly, and well within IPSA's KPIs. There was one data breach in the month, and further work is in hand to address that and IPSA's IT performance issues.

- 9.4 The Board noted IPSA's performance in December 2016, the progress that had been made on the IPSA 2017 improvement programme and the list of the Chief Executive's and Chairman's meetings with MPs and officials since the last report.

## **10. Revalidation of the IPSA 2017 Business Case**

- 10.1 The Board reviewed the report which set out the costs and benefits of the IPSA 2017 improvement programme which had been recalculated a year after they were first assessed and approved by the Board in the IPSA 2017 business case. The Board reviewed the report and noted, in particular, that:

### The recalculated costs of the programme

- a) The costs over two years are now projected to rise by 18 per cent and, due to the 'go-live' date being revised from April to October 2017, IPSA will require around £500k more funding in 2017-18 than was envisaged in the original business case. Although, that increase has partly been off-set by a £300k underspend in IPSA's 2016-17 budget and lower than planned recharge costs. These are the best available figures based on current assumptions, but are subject to further review and challenge.

### The revised financial savings of the programme

- b) The investment will now breakeven in 2023-24 rather than in 2021-22 with net savings over 10 years of £2.1m. This is lower than originally projected. The revision takes account of higher capital costs in the short term to implement the new system; the higher recurrent costs of using the 'cloud' to host IPSA's IT, with lower long-term capital costs as a consequence; a more cautious estimate of staff savings; and higher than forecast costs for staff working on the programme.

### The non-financial benefits of the programme

- c) IPSA considers that these benefits, including to its reputation and to its relationship with MPs, will be delivered as projected a year ago.

### The assumptions made in other sections of the business case

- d) IPSA considers that these remain unchanged, and it remains persuaded that it selected the right option to address the need for change.

### Other sections of the business case

- e) These have been updated by making minor modifications including, for example, to the governance arrangements for the programme to take account of activity over

the last year, and particularly the fact that far more is known than a year ago about the capability of the new system that IPSA will be operating from October 2017.

- 10.2 **ACTION:** The Board asked IPSA's Director of Corporate Services to include as part of the monthly financial report to the Board in future, the spend against the budget for the IPSA 2017 improvement programme as a standalone document, separate to the main accounts.

## **11. The Board's Programme of Work for 2016-17**

- 11.1 The Board reviewed and noted its programme of work for the remainder of the 2016-17 financial year.

## **12. Any other business**

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

Meeting closed.