


Annual Review of the MPs'  
Expenses Scheme  
Consultation – January 2011



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## FOREWORD FROM THE CHAIR OF IPSA

### SIR IAN KENNEDY



It is only eight months since the new MPs' Expenses Scheme came into operation, after the General Election of 6 May 2010. No-one should need reminding about why IPSA was created – Parliament recognised the need for an independent regulator of MPs' expenses and for an expenses scheme which left little scope for abuse. A clean break with the past is what the public demanded. That is what IPSA has provided.

The last eight months have been demanding, both for MPs and their staff, and for IPSA. Everyone has been getting used to how the rules work out in practice and how services to MPs – payroll, reimbursement of expenses, advice on the Scheme and the on-line claims system – are best provided. Considerable progress has been made, but more needs to be achieved.

IPSA reached an important milestone on 2 December 2010, when the first batch of MPs' expenses claims was published. On the day of publication, IPSA's website received over a million hits from tens of thousands of users – a remarkable level of interest. The wealth of evidence that we have published provides real insight into what it takes for MPs to fulfil their parliamentary duties. It also demonstrates that claims being made by MPs are for legitimate business expenses. It may be a while yet before the public fully recognises this, especially while there is still a backwash of the legacy of the previous Parliament. But, I believe there is something to build on here, in terms of achieving one of the aims IPSA set itself: contributing to the restoration of public confidence in our democratic institutions.

This is why the relationship between IPSA and MPs and their staff is so important. While parliamentary debate and some reports in the media would suggest that there is still a large gap to be bridged, the fact is that from day to day, IPSA is working closely with MPs, delivering the services that they need. We are assessing and reimbursing over 3,000 claims for expenses each week and answering 800 phone calls and 900 emails. IPSA's staff are providing face-to-face advice to MPs and their staff. Many MPs are grateful for the help that they have received, while IPSA is appreciative of the feedback received from MPs on how to improve the system.

As we have always promised we will review the Expenses Scheme annually. This consultation is the formal part of the first Review. One of the aims is to strengthen even more the process of feedback, and to widen it to include all interested parties, including the public. That is crucial. Public confidence in the payment of expenses is the key outcome to which IPSA is aspiring.

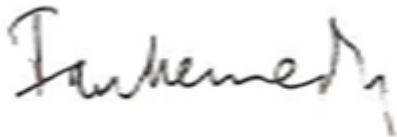
But alongside this Review, which is about the rules of the Scheme and the need for changes, is a parallel Review. We need also to examine how we do business; what approach is sustainable over the longer term. We recognise that initially we needed to operate as if we were providing services to a customer. This has had certain consequences, not least the ever-increasing demand for detailed

advice and interpretation of detailed rules and guidance. The cost to the tax-payer is considerable. We are clear that the model of how we do business must evolve. Yes, we must address the Scheme's rules. But yes, we must also address IPSA's role. IPSA is above all a regulatory body. As such, we will be exploring ways of doing business which reflect this role.

This consultation paper broaches this broader question. Its principal focus, however, is on improving the existing Scheme – simplifying where possible, but also asking whether it is fair and workable. This is the immediate step in this transitional journey, refining the Scheme so that it delivers the best possible value for money, while supporting MPs in pursuing their parliamentary duties.

All views are welcomed and will be carefully considered. There are 44 questions in the consultation paper, some about quite technical aspects of the Scheme. For those who would prefer to respond quickly to the questions which we judge to be of particular concern to both MPs and the public, there is a short on-line survey to be found on the IPSA website.

I, and my colleagues on the IPSA Board, look forward to seeing your responses.

A handwritten signature in black ink, appearing to read 'Ian Kennedy', with a stylized flourish at the end.

**Sir Ian Kennedy**

**January 2011**

## CHAPTER 1

### INTRODUCTION

#### Summary of the Key Themes

1. This consultation paper follows eight months of operating the MPs' Expenses Scheme and evidence gathering by IPSA, and the publication of the first batch of MPs' expenses claims on 2 December 2010. The aim is now to review the Scheme, drawing on the experience of those first eight months. This review takes place in the context of sharp downward pressure on expenditure across the public sector.
2. Over and above the issues relating to specific parts of the Scheme is a question about the extent to which IPSA should seek to simplify both the Scheme and the processes for paying expenses. This is in part driven by the need to minimise costs, but also by questions about the proper balance between IPSA's role as an independent regulator of MPs expenses, and its role as a provider of services to MPs. As regards payment processes, a good deal of progress has already been made - as set out in paragraph 11 below. As regards potential simplification of the Scheme, a central question exists about where the responsibility for ensuring that all claims are for legitimate parliamentary purposes should lie. There is a spectrum of choices which is described in paragraphs 16-19 below.
3. Key specific themes that we have been exploring include:
  - a. the impact of the Expenses Scheme on MPs' family life;
  - b. the impact of the Scheme's definition of the London Area, where different rules apply to accommodation and travel expenses than elsewhere; and
  - c. the effect of the limits on expenditure for staffing and renting a constituency office.
4. IPSA is determined in this consultation to seek a wide range of views. It is inevitable that on a daily basis much of IPSA's contact will be with MPs and their staff, and IPSA will hear a lot about their views. Likewise, reporting in the media will tend to focus on what MPs have to say about IPSA and the Scheme. In consultation, though, it is very important that IPSA goes back to why it and the new Expenses Scheme were created, why that system is based on reimbursement of expenses rather than allowances, and why the Scheme was based initially on a set of prescriptive rules. Above all, it is important to recall what IPSA has to do to build public confidence in the new system. Public confidence remains a primary objective for IPSA. This consultation is an important step towards a future in which MPs' expenses are no longer a contentious public issue.

## Background

5. The Independent Parliamentary Standards Authority (IPSA) is a new statutory body, independent from Parliament, Government and political parties. It was established by the Parliamentary Standards Act 2009 (the Act), which received Royal Assent on 21 July 2009. The Act required IPSA to devise and administer a regime for reimbursing MPs for expenses incurred in carrying out their Parliamentary duties, as well as to review it regularly. The Act subsequently gave IPSA the power to determine MPs' pay and pensions arrangements<sup>1</sup> and created the role of the Compliance Officer, whose duties are to investigate allegations that an expense claim has been wrongly paid to an MP and to review IPSA's decisions whether to pay an expense claim. The MPs' Expenses Scheme, like IPSA itself, was the product of Parliament's response to the expenses scandal, which emerged during the previous Parliament. The Scheme was launched on 29 March 2010 and came into force on 7 May 2010, the day after the General Election.
6. The IPSA implementation programme began in September 2009 with the appointment of the Interim Chief Executive. The Chairman, Sir Ian Kennedy, and other members of the IPSA's Board were appointed in November 2009 and January 2010 respectively. A consultation on the expenses scheme was launched in January 2010, closing at the end of February in order to have the new scheme ready for operation in the event of an election in early May. The consultation drew widely on views from the public as well as MPs and their staff, and took into account the recommendations of the November 2009 report by the Committee on Standards in Public Life (CSPL), *MPs' Expenses and Allowances*. Indeed, the final Scheme draws extensively on the principles set out by the CSPL in its report. The fundamental principles are set out in Schedule 1 of the Scheme and are shown below.

### **The Fundamental Principles of the MPs' Expenses Scheme**

- Members of Parliament should always behave with probity and integrity when making claims on public resources. MPs should be held, and regard themselves, as personally responsible and accountable for expenses incurred, and claims made, and for adherence to these principles as well as to the rules.
- Members of Parliament have the right to be reimbursed for unavoidable costs where they are incurred wholly, exclusively, and necessarily in the performance of their parliamentary duties, but not otherwise.
- Members of Parliament should not exploit the system for personal financial advantage, nor to confer an undue advantage on a political organisation.
- The system should be open and transparent, and should be subject to independent audit and assurance.

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<sup>1</sup> The provisions that give IPSA this power have yet to be commenced.

- The details of the expenses scheme for Members of Parliament should be determined independently of Parliament.
- There should be clear, effective and proportionate sanctions for breaches of the rules, robustly enforced.
- The presumption should be that in matters relating to expenses, MPs should be treated in the same manner as other citizens. If the arrangements depart from those which would normally be expected elsewhere, those departures need to be explicitly justified.
- The scheme should provide value for the taxpayer. Value for money should not necessarily be judged by reference to financial costs alone.
- Arrangements should be flexible enough to take account of the diverse working patterns and demands placed upon individual MPs, and should not unduly deter representation from all sections of society.
- The system should be clear and understandable. If it is difficult to explain an element of the system in terms which the general public will regard as reasonable, that is a powerful argument against it.
- The system should prohibit MPs from entering into arrangements which might appear to create a conflict of interests in the use of public resources.
- The system must give the public confidence that high standards of honesty will be upheld.

7. In finalising the Scheme following the consultation, the IPSA Board was guided by three main objectives. These were that the Scheme should be:
  - a. Fair – both to MPs, who need support to carry out their parliamentary duties, and to the taxpayer, who needs to be confident that value for money is being achieved from public funding and that there is no abuse of expenses;
  - b. Workable – the Scheme should be as simple and practicable as possible, avoiding unnecessary administrative cost and complexity; and
  - c. Transparent – this is critical if public confidence is to be restored. It allows people to find out for themselves what is being done in their name and with their money.
8. The Board was also clear that to make a clean break with the past, the Scheme should be based on the concept of reimbursement for expenses incurred rather than a system of allowances which are there to be spent without direct reference to costs incurred. This was supported by the majority of responses to the consultation.
9. The Scheme was broadly welcomed when it was launched, including by the largest political parties. Focus then shifted, once the election was called, to preparing for implementation of the Scheme on 7 May 2010. Time was limited and IPSA acknowledged that anomalies in the



Scheme could be revealed once it was implemented. Similarly, there was an expectation that the operations, including the online expenses system, would be put to the test in the early weeks.

### **The Scheme in Practice**

10. Those expectations were fulfilled in the early weeks; but IPSA now has a system which is reimbursing claims at a rate of 3,144 a week. All but seven MPs have registered with the Scheme. All MPs have been paid their salaries from May onwards. IPSA is answering weekly just under 800 telephone calls and approximately 900 written enquiries, as well as providing face to face meetings on the online expenses system and on the Scheme.
11. Further, since the Scheme came into operation on 7 May 2010, IPSA has responded to the needs of MPs and their staff in a number of ways, including:
  - a. providing advance payments for certain “big ticket” items of expenditure on provision of an invoice;
  - b. providing an interest free loan of up to £4,000 to help MPs with cash flow; and
  - c. implementing a number of simplifications in payment processes to reduce the volume of expenses flowing through MPs’ bank accounts. MPs can now ask IPSA to pay landlords directly, the use of the payment card<sup>2</sup> has been extended from travel to cover payment of utilities and council tax bills, and the system of payment on provision of an invoice has been extended to all items with a value of over £200.
12. IPSA has also been alert to any anomalies that were revealed once the Scheme came into operation. In June this year, IPSA consulted on several necessary changes to the Scheme and to clarify arrangements for the payment of expenses to interns. Parallel consultations were run on the Compliance Officer’s investigatory procedures and IPSA’s proposals for publishing MPs’ expenses and its own publication scheme. All three consultations were conducted over a short period so decisions could be made before Parliament rose for Summer Recess. The Second Edition of the MPs’ Expenses Scheme was published on 26 July 2010.

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<sup>2</sup> The payment card is provided by IPSA to MPs to use for a specified range of expenditure.

## The Scope of this Consultation

13. IPSA is obliged by the Parliamentary Standards Act<sup>3</sup> to review the Scheme “regularly” and has announced it will do so annually, to make any necessary alterations without causing confusion through frequent changes.
14. Any changes to the rules of the Scheme following this consultation will apply from the date that the revised Scheme comes into force. They will not be retrospective. Therefore, MPs will not be able to claim under any new rules for costs incurred before those rules came into force.
15. Consultation is an important part of IPSA’s responsibilities as an independent regulator, when establishing principles, setting rules and ensuring that the public’s concerns are taken into account. While its role in paying MPs and their staff and reimbursing expenses is its most visible function, IPSA also has these wider and more fundamental responsibilities conferred to it by Parliament.
16. In the longer term, as has been said, there is a need to address IPSA’s role as a regulator and the proper balance between that role and its role as a provider of services. At present, IPSA has been concerned primarily with establishing rules and providing services. Given the problems that IPSA was established to address, it has developed a system of detailed rules. But, whatever the degree of detail, such a system cannot answer all the questions that are asked by 650 different MPs and their staff, each of whom operates in their own individual way. This has put pressure on the Scheme, on MPs and their staff and on IPSA. The desire for certainty about prospective claims has been responsible in part for the high volume of enquiries that IPSA has received from MPs and their staff. Eight months on, the volume of queries has not fallen noticeably, although more are now about operating the online claims system than about the rules themselves.
17. Part of the concern that MPs have reported to IPSA is that they may have claims rejected - and published as such - because they have not fully understood the rules. Early experience suggests that there has not been any significant misinterpretation of the rules: the majority of “not paid” claims are the result of what are essentially administrative errors.<sup>4</sup> If this continues to be the case, then it is to be hoped that there will be less need for MPs to be able to say that “IPSA said this was allowed” and more scope for MPs to feel confident in justifying their own decisions.
18. This opens up the possibility that an expenses scheme based more on a set of principles which do not attempt to cover every eventuality will, in time, gain support. It will need a decision that a system that is easy to understand is preferable to a larger rule book which seeks certainty but necessarily falls short of delivering it. It will also require an agreement by MPs

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<sup>3</sup> Sections 5(3) and 5(4) of the Parliamentary Standards Act 2009.

<sup>4</sup> Most “Not paid” claims will be published, along with other claims, in the next cycle of publication, in February 2011. This will be for claims made in September and October 2010. In the first cycle on 2 December 2010, “not paid” claims were not published, in recognition that MPs and IPSA both needed time to get used to the workings of the new system.

that they will take greater responsibility for their claims within the general framework of principles and the agreed budgets. If this were to happen, IPSA would be able to be less demanding. The taxpayer would still be able to obtain assurance that public money was being properly disbursed, since the majority of claims would continue to be published and after-the-event auditing would remain. Transparency and accountability would be as strong as now.

19. Although this current Review and consultation focus on possible changes to the existing rules rather than this longer term outlook, there is considerable scope for simplification, for example, in the case of the use of taxis, hotels and expenditure on constituency offices. A key part of this Review is therefore to consider how to simplify both the process for making claims and the Scheme itself. Such simplification will not represent any departure from the principles underlying the Scheme. But, along with the changes to processes for payment which have already taken place, it sets the scene for a gradual move to a less prescriptive system, provided public confidence can also be maintained. It also secures value for money.

### **Evidence for the Review**

20. This consultation paper sets out the key themes for discussion with the public and MPs. Crucially, it draws on evidence. Since the Scheme came into operation on 7 May 2010, IPSA has built up records of claims and payments made and all the associated information and data surrounding the operation of the online expenses system and the Scheme itself. This has allowed IPSA to draw together key data to provide a context for the issues set out in this consultation paper. All the figures in this paper are correct as at 22 November 2010, unless otherwise stated.
21. These figures, however, must be interpreted carefully. There is no full year of operation to look at, and the figures reflect, in part, the early months where MPs and their staff were learning the system and making their first claims. They also include the period when MPs were still recruiting staff, with the numbers of new staff increasing from May onwards, and setting up offices. They refer to the period when MPs may not have submitted all their claims, and when MPs are particularly conscious of the potential public response to the claims submitted. In short, the data used largely reflect the start-up phase of the new Scheme.
22. IPSA has also built up its evidence about the Scheme in other ways. From telephone calls, emails and face to face meetings, IPSA has gathered information about how MPs and their staff view the Scheme, and how they have found it in practice. These views offer valuable information about the fairness and workability of the Scheme. They also allow for an understanding of personal or sensitive issues such as the impact the Scheme is having on MPs' family lives.
23. This consultation itself is an important source of evidence that will inform the review. In all areas of the Scheme, IPSA seeks to base its views on as full and comprehensive a picture of the relevant issues as possible, and will look at all evidence available to it in order to do so.

### *Results from a Survey of Public Opinion*

24. IPSA has also commissioned the polling organisation, You Gov, to undertake a short survey, as part of one of its omnibus surveys, to gauge the public's views on the new Expenses Scheme and some of the key issues. This paper does not make detailed comments on the findings, but they will be taken into account when considering any amendments to the Scheme. A summary of the findings is at Annex C of this paper.

### **Equality and Diversity**

25. As part of its evidence gathering and analysis, IPSA will conduct an Equality Impact Assessment (EIA), building on the initial assessment, which was published with the First Edition of the Expenses Scheme in March 2010<sup>5</sup>. An EIA involves assessing the likely or actual impact of policies or proposed policies on particular groups, in particular to ensure that there is no unlawful or unjustified discrimination. The assessment covers the impact of policies on individuals with "protected characteristics" as defined by the Equality Act 2010. These characteristics include age, gender, transgender, marriage and civil partnership, sexual orientation, pregnancy and maternity, disability, race/ethnicity and religion and belief.

*Q1. What are your views on the choice between having an Expenses Scheme based on prescriptive rules and a Scheme which relies much more on MPs taking greater personal responsibility for their claims, within a framework of general principles? Both are supported by transparency through publication.*

*Q2. What impact do you believe the MPs' Expenses Scheme and the specific issues within this consultation may have on equality and diversity within the House of Commons?*

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<sup>5</sup> Available on our website at Publications/Consultation on Expenses Scheme(Closed)/Equality Impact Assessment

## CHAPTER 2

### KEY THEMES

#### Family issues

26. One of the fundamental principles underpinning the Scheme is that arrangements should be flexible enough to take account of the diverse patterns of working and demands placed upon individual MPs, and should not deter representation from all sections of society. It was made clear in the summary of the First Edition of the Scheme when it was first published in March 2010 that:

*While we do not see it as IPSA's responsibility to promote greater diversity of representation in the House of Commons, we are certainly anxious not to put barriers in the way of anyone who might wish to become an MP. For this reason, we see the need to ensure that the provision for accommodation provided to an MP from public funds be sufficiently flexible to allow an MP who is looking after someone to obtain suitable accommodation. At the same time, we are keen that any such flexibility is not abused. The key lies in a careful description of who is covered.*

27. The rules on residential accommodation are the main area where the Scheme affects MPs' family life. Related issues concern travel by an MP's spouse or partner and dependants.

#### Residential Accommodation

28. One of the distinguishing features of being an MP is that in the majority of cases, he or she needs to have accommodation at a second location, either in London or in the constituency, in order to fulfil his or her parliamentary duties. The cost of this accommodation should be borne by the taxpayer. IPSA does not view this as an entitlement to a "second home"; instead, the premise is that IPSA will provide funds equivalent to the cost of renting a one bedroom flat (or a stay in a hotel). This includes associated costs like utilities and council tax, which can also be claimed if the MP owns the accommodation that he or she is staying in as the second location.
29. Additional funding is available to MPs with caring responsibilities, so as to secure suitable accommodation for dependent members of their family. The definition of those dependent members lies at the heart of the concerns that some have about the Scheme.
30. IPSA defines dependent members of the family as:
- a. children under five years of age;
  - b. children in full time education up to the age of 21, where the MP is the sole carer; or
  - c. any adult, child or other family member who is receipt of one of several benefits which reflect a need for additional support from the state (for a disability, for example).

31. The current policy does not include children between the ages of five and 21 where the MP is not the sole carer. This approach is derived from the view that children in this age bracket would routinely stay close to their school rather than travel with the MP to and from London or a constituency home.
32. It is acknowledged it may be possible for some MPs to rent accommodation with more than one bedroom within the regional bandings<sup>6</sup> for accommodation costs.

*Evidence and Issues*

33. Some MPs have argued that the Scheme's provisions for dependants are detrimental to their family life. IPSA has been told, for example, that some MPs who live in London, but represent constituencies outside London, are no longer able to see their children at weekends because they are in their constituencies and cannot afford accommodation for all the family. Resolution of this issue requires a view to be taken on the balance between the impact of the Scheme on an MP's family life (as opposed to any public expectation that MPs must spend all weekend in the constituency), the change from the concept of the "second home" to functional accommodation for an MP, and the need to control spending of taxpayers' money on accommodation.
34. IPSA does not yet have sufficient evidence about the scale of the problem to assess the extent of its impact on MPs. It will seek further evidence from MPs themselves during the Review. At the moment the available information is from the on-line expenses system. 579 MPs have registered for accommodation expenses. Of those, 269 have registered for rental accommodation in London and 37 for the same in their constituency – which by definition within the Scheme must be outside the London Area. Another 20 MPs have registered for mortgage interest subsidy for a constituency residence and 61 for a London Area residence. 76 have registered for associated expenditure<sup>7</sup> only. Annex A summarises these figures: see Table 1. Based on these figures, up to 57 MPs (ie the 37 and 20 registered for constituency accommodation) plus a proportion of the 76 claiming for associated expenditure, potentially could have to live apart from their children when in their constituency. The actual figure depends on how many of those MPs have children aged between five and 21, and whether they have moved into the accommodation since the General Election (given that any accommodation first occupied under the previous Parliament, and still occupied now, can be assumed to be adequate). So, we have no clear picture of the potential extent of the problem from studying our evidence on accommodation expenses, but it would seem unlikely to affect more than 60-70 MPs. Tables 2 and 3 in Annex A provide a breakdown of Accommodation registrations and claims by type of expense.
35. As Table 4 in Annex A shows, the number of MPs who have so far registered as having caring responsibilities for children between five and 21 currently stands at 103, covering 159 dependants. Some of these registrations will be for the purpose of claiming travel expenses only, but it is also possible that the figure could increase as the Scheme is still in its early days.

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<sup>6</sup> There are six regional bandings for accommodation expenses, including that for the London Area. These bands reflect typical rental costs in each constituency and are based on Valuation Office Agency information.

<sup>7</sup> Associated expenditure includes utilities, council tax, service charges, telephone/TV/internet connections, home contents insurance (and buildings insurance where MPs are still receiving mortgage interest subsidy).

Nonetheless, the available data do suggest that although the issue of family life is a very important one, the effect of the IPSA rules (as opposed to the modern role of the MP) on MPs with dependants, is limited to no more than 10-20% of MPs. This does not, of course, detract from the impact the rules can have in individual cases.

36. The regional bandings for accommodation costs, referred to in paragraph 32 and footnote 6, will also be reconsidered as part of the Review. These bandings were based on property market information in early 2010 and were drawn along broad geographical lines. Part of the review of the bandings will be to ask whether there is a case actually for simplifying them further, giving more scope for variation within each band.

*Q3. Do you think the current definition of caring responsibilities is right, or should it be changed? Should it, for example, be extended to include all children in full time education between the ages of five and 21? (Any such extension would mean that MPs could claim accommodation expenses for those children.)*

*Q4. Do you have any views on how the regional bandings for accommodation costs have worked and how they might be improved?*

#### Travel by family members

37. The Scheme allows MPs to claim for the cost of each of their dependent children or adults (using the definition given above) to travel between the MP's constituency residence and London Area residence. The number of claims is limited to 30 single journeys a year for each child. MPs can also claim for their partner or spouse to travel with the dependant.
38. For children between five and 16, the MP can similarly claim the cost of 30 single journeys between their constituency and London Area residences. In these circumstances, the taxpayer will not pay for the spouse or partner as well; he or she must fund this travel personally.
39. In framing the rules IPSA was conscious that it was in the public interest to allow some family members to travel occasionally to be with the MP, but that the previous provision of support was excessive. IPSA therefore steered a middle course, allowing some travel but limiting it significantly.

#### *Evidence and Issues*

40. Under the Scheme, should an MP's spouse or partner be travelling with children aged between five and 16 years, the MP will be able to claim for the cost of children's travel for the allowed number of journeys, but not that of the spouse or partner. Some MPs have argued that this might force children to travel on their own; others argue that it discourages MPs' families from being together and is therefore detrimental to family life.
41. Evidence from the online claims system suggests that to date, relatively few MPs have actually claimed for family travel (see Table 5 in Annex A). Only 16 have claimed for a spouse or

partner who shares caring duties with them. It could be that MPs are deterred from seeking payment for family travel either by the rules or the prospect of claims being published, knowing that the public mood has not been sympathetic in the past to paying for family travel.

42. As with the issues relating to accommodation, the number of MPs directly affected by the rules on travel appears relatively low; but there remains an important point of principle regarding the potential impact on family life. IPSA invites views on this.

*Q5. Should the rules on claiming travel costs for family members be changed? In particular, should MPs be able to claim for spouses' or partners' travel costs when they are travelling between the MP's London Area residence and constituency residence: (a) with dependent children aged between five and 16 years; (b) with the MP only; or (c) on their own when visiting the MP?*

## **The London Area**

43. The definition of the London Area is central to the architecture of the Scheme. It is inextricably linked to an MP's eligibility for accommodation expenses and for the type of travel expenses that can be claimed. London Area MPs also face particular pressures on staffing and office accommodation budgets, although these are not uniquely London problems. The budget issues are covered in the next section; this section concentrates on the impact of the Scheme on MPs' accommodation and travel.

44. The summary to the First Edition of the Expenses Scheme included the following:

*Given that Parliament is in London, MPs have to spend a significant part of their time in London (though it need not be more than around 150 days a year). If an MP's constituency is in London or within reasonable commuting distance, s/he will not need funds from the public purse for accommodation at a second location. So, we had to decide which constituencies should be regarded as being within reasonable distance.*

45. A key principle was that in the matter of expenses MPs should be treated in the same manner as other citizens, unless there is explicit justification to do otherwise. In the consultation on the First Edition of the Scheme, IPSA initially proposed that the London Area would be defined by the Transport for London Zones 1-6. The consultation responses expressed a strong view that this definition allowed too many MPs to claim accommodation expenses when they lived within a reasonable commuting distance.
46. IPSA retained the notion of commuting as the basis for calculating the London Area, but settled on two criteria for what constitutes a reasonable commute. They are that a constituency is within the London Area if:
- a. any part of an MP's constituency is within 20 miles of Westminster; or



- b. it is possible to commute from any part of the constituency to Westminster by rail within 60 minutes at peak times.
47. A total of 128 constituencies fell within these criteria, and these constituencies were defined as the London Area<sup>8</sup>.

*Evidence and Issues*

48. This figure of 128 constituencies compares with the 25 that were within the definition of “Inner London” in the previous Parliament until 1 April 2010 - and were therefore ineligible for accommodation expenses.<sup>9</sup> For returning MPs whose constituencies had previously been outside the boundary of London, but were now within the London Area, there were two significant changes to their expenses regime. First, they could no longer claim accommodation expenses for a second location, although if they owned the property used as a second location and previously claimed for their mortgage interest, they were eligible for a continued mortgage interest subsidy for a transitional period ending in August 2012. Second, they could no longer claim travel expenses for their journey from their constituency home to Westminster. It is likely, therefore, that this group of returning MPs has seen the biggest change in the payment of expenses.
49. As regards expenses, it is a principle of the Scheme that MPs should be reimbursed fairly in carrying out their Parliamentary duties. It is a separate issue, however, if having to pay costs that were not previously paid causes an MP to be worse off than before. Many citizens would argue that the cost of commuting into London from somewhere in the Home Counties is the sort of expense that comes out of everyone’s salary, and is not a business expense. Further, most citizens could not afford to maintain a second location in London rather than commute for 60 minutes. But the fact remains that there is now an increased charge on the salary available to MPs affected by the changes. This, in turn, could affect the way in which MPs carry out their duties. Additionally, while the London Area Living Payment (LALP) available to MPs at £3,760 a year provides some compensatory assistance for the cost of commuting, it is significantly lower than the amount available under the previous Parliament, where Parliament raised the London Allowance from the level recommended by the Senior Salaries Review Body (£3,760) to £7,500 a year<sup>10</sup>.
50. A further challenge faced by this particular group of “outer” London Area MPs is their ability to get home if Parliament is sitting late (or, indeed, if they have other commitments that keep them in Westminster outside regular working hours). Again, this is a challenge that many people working in London face, but arguably it is one that MPs regularly face because of the sitting hours of Parliament. According to Hansard, between May and November this year the House adjourned 23 times between 10 and 11pm, and on 10 occasions later than 11pm. This compares to its adjourning between 6 and 7pm on 16 occasions, and between 7 and 8pm on 14 occasions.

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<sup>8</sup> These are listed in Schedule 2 to the MPs’ Expenses Scheme.

<sup>9</sup> From 1 April 2010, 74 constituencies were in the combined Inner (25) and Outer (49) London. The General Election was called shortly afterwards, so this new arrangement was very short-lived.

<sup>10</sup> See paragraphs 113-114.

51. The Scheme allows London Area MPs to claim for a taxi journey (maximum reimbursement £80) if Parliament sits after 11pm, and if it sits after 1am they can claim for a hotel. However, some MPs have argued that if Parliament sits much after 10pm then they may not be able to get public transport home, and that the maximum taxi cost of £80 is inadequate. There is reluctance, too, to claim for taxis at such cost. This has led to claims that MPs had to sleep in their offices because of IPSA's rules. The late sitting of Parliament is a matter for MPs, but, it is unnecessary for MPs to resort to such measures because of the perceived constraints of the Expenses Scheme. This is because IPSA, on an interim basis, allows MP who may face difficulties getting home to claim for the cost of a hotel under the Scheme's contingency arrangements.<sup>11</sup>
52. The evidence from the online expenses system suggests that this issue has not been quite as marked as the coverage in the media has suggested. To date, five MPs have made use of the contingency arrangements. Under the main expenses rules (as opposed to the contingency provisions), 87 MPs have claimed for taxis after a post 11pm sitting, with an average value of claim of £18.94. IPSA would, however, welcome views on whether any changes should be made to the rules on such claims in relation to late sittings of Parliament, and any other commitments outside regular working hours.<sup>12</sup>
53. But the main question here is whether the current definition of the London Area is unfair to some of the MPs whose constituencies fall within it (those MPs described as living in the "outer" London Area). Geographical distance may not be the best criterion for determining commuting times, as a person in a geographically distant town with a large transport hub may be able to reach central London faster than a person in a closer town with a much more limited service. If the criterion rests on journey times, the issue becomes: what is a reasonable commute time? UK National Statistics publishes data on the labour market<sup>13</sup> which shows that in 2007 (the last available data) 83% of people took 60 minutes or less to commute to work in London. In the South East as a whole, the figure was 96%. A majority of people in London and in the South East had a commute of 40 minutes or less (53% and 84% respectively).
54. Further, given the frequency with which the House sits until 10 pm or later, it may not be reasonable to calculate travel times based on transport available during peak hours. An alternative would be to calculate the times based on what transport is available later in the evening.
55. Another option would be to revert to the proposal made in the consultation on the First Edition of the Scheme, which was to use zones 1-6 of the Transport for London map. This has the virtue of simplicity, although at the time of the first consultation it was felt that this was

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<sup>11</sup> Part 12 of the Expenses Scheme contains provision for MPs to apply for a 'contingency payment' where an MP necessarily incurs expenses related to the performance of his or her parliamentary functions which is not covered by any of the rules set out in the Scheme, or that exceeds any financial limit that may apply.

<sup>12</sup> Question 31 in the section on Travel and Subsistence covers this point.

<sup>13</sup> UK National Statistics. (25 November 2009 ). *Time taken to travel to work by workplace, fourth quarter 2007*. Available: [http://www.statistics.gov.uk/downloads/theme\\_compendia/RegionalSnapshot/transport.xls](http://www.statistics.gov.uk/downloads/theme_compendia/RegionalSnapshot/transport.xls). Accessed 16 September 2010.

too narrow a definition. Another possibility would be to define the London Area as those constituencies which are in the area covered by the London Boroughs (and the City of London).

56. Any MP whose constituency is no longer part of the London Area, following any changes to the definition of the latter, would become eligible for accommodation expenses and a wider range of travel expenses. But there would be consequences for the MP's staff. Salary ranges for the London Area are currently 20% higher than for the rest of the UK. While no member of staff would have their pay cut as a result, it could have an impact on any future progression, and would also influence the salaries offered to new recruits. It would not be a supportable use of public funds to allow the MP's constituency to be regarded as non-London Area for the purposes for travel and accommodation and London Area for the purposes of staff salaries.

*Q6. Should IPSA change the definition of the London Area in order to bring the position of the "outer" London MPs back into a financial equilibrium in comparison with the position before the 2010 general election? If so how should that be done? Should it be for example, by altering the duration or distance of the commute used to calculate the boundary of the London Area, or the times of day which are used to calculate the duration? Or should a simple, well-established geographical area be used for the definition? If so, which?*

### **The costs of running an office – including staffing**

57. IPSA's aim is to ensure that MPs have the support and funding they need to conduct their parliamentary duties effectively. There are three budgets which are designed to provide that support: Staffing Expenditure, Constituency Office Rental Expenditure (CORE) and General Administrative Expenditure (GAE).

#### Staffing Expenditure

58. The budget limit for staffing was set in the Scheme at £109,548 for a full year. This was calculated on the basis of a model office with the equivalent of 3.5 full time staff<sup>14</sup>, carrying out a range of responsibilities, including managing the office and the MP's diary, parliamentary research and constituency casework. The pay ranges were based on those in the House of Commons limits up-rated for inflation. National insurance and pension contributions were included in the final amount. The details of the calculation can be seen in Annex B.
59. From the outset of the Scheme, a number of MPs and their staff argued that the staffing budget was inadequate. The most commonly advanced argument was that it was, in effect, a reduction in budget because the pension contribution was included, whereas previously this

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<sup>14</sup> This staffing level was recommended by the Senior Salary Review Body in its 2007 review: *MPs' Pay, Pensions and Allowances*.

was handled centrally by the House of Commons. It was said that, on the basis of the previous “staffing” budget of about £104,000, plus 10% for pension contribution and 1.4% earnings inflation, a limit of about £116,000 might be expected. But IPSA’s budget does not incorporate items chargeable to the House of Commons budget for staffing such as professional advice, cleaning, computer maintenance, interpreting services, recruitment, staff training and any redundancy payments. These now come under GAE or other budgets. The staffing budget model under IPSA’s Scheme is, therefore, not directly comparable to that which prevailed under previous arrangements with the House of Commons.

60. Another difference is that under the previous arrangements MPs could transfer funding between budgets, so they could pay if they chose for more for staff from, say, the administrative and office expenditure allowance. Some MPs have told IPSA this is how they managed to fund higher staffing requirements. For reasons of accountability and transparency, and because IPSA has moved away from the concept of allowances, IPSA does not permit “viring” between budgets (see, however, paragraphs 71 and 72 below).

#### *Evidence and Issues*

61. Taking data from the month of November, by which time IPSA expected that a majority of MPs will have recruited the full complement of staff that they require, the average MP had 4.2 members of staff. Many staff work part-time so the full time equivalent (FTE) is likely to have been below the IPSA assumption of 3.5. Annualised, the average staffing bill, including national insurance and pension contributions, was £103,152. This is £6,396 below the budget limit.
62. IPSA has, however, responded to the fact that some MPs clearly do need extra funding for staffing to meet their existing commitments, by considering, on an exceptional basis, applications for additional funding under the contingency arrangements. To the end of November, IPSA considered 213 applications, of which 28 related exclusively to staffing. Table 13 in Annex A shows the number of contingency applications and the additional funding agreed.
63. What the contingency applications reveal is that for London Area MPs in particular, the model of 3.5 FTE staff may not work: a complement of 4 to 4.5 FTE is more typical. At the same time the pay ranges for the staff of London-based MPs were set 20% higher than the rest of the country; but this was not reflected in the staff budget cap. Further, some MPs have a number of experienced staff who earn more than the midpoint of the pay ranges. Those midpoints were taken as the basis for the IPSA staff budget model.
64. Overall, an additional £316,312 has been agreed from the contingency budget for staffing purposes by the end of November. While this is a significant sum, it is a small proportion of the overall budget for staff, which is £71.2m. There is an important point for the future here: IPSA could set higher budgets for London Area MPs, for example, to reflect the pressures. In the current economic climate, however, it is unlikely that IPSA could justify significant increases for staff budgets nationally, just because a few exceed the current limit. IPSA could take the view that the process of using the contingency fund is working well: it deals with those instances where MPs genuinely need extra funding, without increasing the risk of large

overspends across the whole budget. IPSA has heard that some MPs are reluctant to apply for contingency funds because they could be criticised for asking for more money; however, if they have a genuine need in order to serve their constituents effectively, then they should be able to justify the spending to their constituents.

*Q7. Do you think there should be changes to the budgets for MPs staff? If so, what should they be?*

#### Constituency Office Rental Expenditure (CORE)

65. In the First Edition of the Scheme IPSA set two budget limits for CORE. The London Area total was set at £12,761 per year; that for other parts of the country was £10,663. These figures were calculated on the basis of information from the Members Expenses Committee in 2008 which said that the average annual cost of office rent was £5,773 a year<sup>15</sup>, supplemented by research into rents across the country. As part of this review IPSA will conduct further research into office rents across the country, but from the evidence of applications to the contingency panel, it is difficult to predict where, outside London, there will be pressure to exceed the budget. This is partly because MPs have a variety of arrangements to provide a service to their constituents. Some have no office, a few own their premises, a good number have arrangements with local party associations, often in the form of serviced office charges which cover staff as well as office space. Others have a relationship with the local authority, and many have rental agreements with commercial organisations. Much, in the latter case, depends on supply and demand in the local area – if there is a shortage of office space in the relevant town centre then rents will be pushed up.
66. The contingency arrangements have worked well in allowing MPs who face expensive local markets to maintain an office which is accessible to constituents, without altering the limits set out in the Scheme. IPSA will, however, consider whether some regional banding, along similar lines to that in operation for residential accommodation, is appropriate, and would welcome views on what is most workable.
67. At the outset of the Scheme, there were many comments to the effect that MPs would have to move out of town centre offices to inaccessible parts of town. IPSA is not aware that this has actually happened, but would of course welcome any evidence to the contrary.

*Q8. Do you think the budget limits for CORE should be changed? If so, how? Is there merit in introducing a more varied form of regional banding than the current two tier approach?*

#### General Administrative Expenditure (GAE)

68. The GAE budget is essentially for an MP's running costs, excluding office and surgery rent, utilities and business rates. The budget limit of £10,394 a year reflects the comparable costs

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<sup>15</sup> Evidence supplied by the House's Department of Resources to the MEC's *Review of Members' Allowances*, published June 2008.

in the previous Parliament, taking account of reallocating costs from other budgets like staffing, and a smaller sum for communications than previously.

69. At this point in the year, it is not clear whether the budget limit is at the right level or too restrictive for some MPs. The risk of it's not being right is highest where a new MP has faced high office start up costs – some funding for IT and other equipment is built in to the GAE calculation, but it may not be enough to cover set up costs. Other high one-off costs – like moving office – can also skew the year's expenditure. So far there have been only 10 applications for contingency funding; but IPSA expects to see more before the end of the financial year. Each will be considered on its merits.
70. In the early months of the Scheme there were large numbers of queries about what could be claimed under GAE. The Scheme lists a number of items of expenditure, but it is not an exhaustive list. Some MPs found the uncertainty unhelpful; but IPSA was able to approve claims for items which were not specified on the list, such as cleaning materials for the office and local newspaper subscriptions. The MP, when submitting the claim, has to confirm that the expense is necessary for the fulfilment of his or her parliamentary duties. In general IPSA will not dispute that; and members of the public will be able to judge for themselves from published claims. But the wider point is whether there should be a list at all, or whether MPs should take the responsibility of deciding about expenditure, knowing that it will subsequently be published.

*Q9. Should there be any changes to the approach taken to, or level of, the GAE budget?*

*Q10. Should there be a separate start up budget for new MPs?*

#### Simplification - Office Costs Together?

71. Many MPs have suggested to us that the budgets for CORE and GAE should be merged. Some, whose expenditure was close to the CORE limits, have said that if they could transfer funding from GAE then the problem would be solved. Others have low rental costs but relatively high GAE, because the nature of their office arrangements means that more of their cost is located in GAE than CORE. There have also been some difficulties in identifying which of the two budgets a claim should be assigned to. This creates administration costs for IPSA and MPs and their staff, if a claim is returned to an MP because it is in the “wrong” budget.
72. Views are invited, therefore, on whether there is benefit in merging the CORE and GAE budgets for the next financial year, and what the appropriate overall limit for funding should be if this is done.

*Q11. Should the CORE and GAE budgets be merged? What should the overall budget be?*

### Simplification – Payment Processes

73. Where MPs experienced cash flow difficulties in the early days of the new Expenses Scheme, the need to pay for office costs, including rent and new equipment, before being reimbursed, was often the main cause of the difficulties. IPSA has already taken a number of measures to assist MPs, including measures to simplify payment processes and for direct payment to landlords. IPSA will take a gradual approach to this, starting with relatively simple transactions and learning lessons from them. It will build on this experience to extend the process of simplification.

### **How these Themes relate to the rest of the Consultation Paper and to the Wider Review**

74. The key themes outlined in this section relate to family issues, the London Area and office and staffing budgets, and the desirability of simplicity. These are the areas on which IPSA has had most feedback from MPs and staff in the months since the Scheme came into force.
75. There are many other issues and questions which have arisen and continue to arise. The circumstances of individual MPs differ greatly and so it is inevitable that the application of a set of rules will be tested in operation. This Annual Review presents an opportunity to assess the whole Scheme in the light of the comments IPSA has received, and to give members of the public and MPs a chance to make their views known.
76. The following sections of the consultation take each part of the Scheme in turn, and outline the issues which have arisen over these first eight months. Where the issues have been covered under the key themes in this section, they are not discussed again (instead please refer back to this section of the paper). Some of the issues raise questions of policy; others are more about simplifying or clarifying processes. Both are important: the policy issues may often revolve around questions of fairness and proportionality; the process issues will get to the heart of what is workable and what constitutes value for money.
77. IPSA is also conducting an Equality Impact Assessment (EIA) as noted in paragraph 25. The issues raised in this section will all have some relevance; but the family issues, in particular, are at the centre of the EIA.

## CHAPTER 3

### CLAIMS PROCESSES

#### Background and Objectives

78. Parts 2 and 3 of the Scheme set out the rules governing the making of a claim for expenses, how they are assessed by IPSA, how an MP may ask for a review of a decision by IPSA and how any overpayments may be recovered. IPSA's aim is to have processes that are fair, workable and transparent. They should be easy to understand and should minimise the administrative burden on both IPSA and MPs and their staff. Further, an important principle underpinning the Scheme was that MPs should be personally responsible and accountable for their expenditure of public funds.
79. As MPs have adapted both to the Scheme and the requirements of the online expenses system it has become clear that for a number of MPs there are some rules which are proving difficult. In some cases this is because IPSA faced operational challenges which meant that initially there were delays in processing some registrations and claims.

#### The 90 day rule

80. The most difficult rule appears to have been paragraph 2.1(c) of the Scheme which requires claims to be submitted no later than 90 days after the expenditure in question was incurred. In recognition of the fact that some MPs took a while to register on the online expenses system and to start making regular claims, over the summer IPSA suspended the 90 day rule so that MPs had time to adapt to the new system. This period ended on 1 October 2010, meaning that any expenses incurred from 2 July 2010 onwards are subject to the 90 day rule.
81. The 90 day rule was introduced to ensure that the claims system operated efficiently and large backlogs of claims did not develop. It is also helpful for MPs themselves to claim in a timely manner, as there is less chance of losing receipts and other documentation and it enables them to have a clearer picture of where they stand in relation to their budget for the year. Nonetheless, it does appear that the 90 day rule is proving problematic for a significant number of MPs, and therefore IPSA is considering whether there is merit in having a more flexible approach. Some limit is essential in order for IPSA to be clear about what expenditure has occurred in each accounting period. One suggestion is that there should not be a time limit in the financial year, but that all claims for expenses incurred in the particular financial year should be submitted by a month after the end of that financial year. Another option would be to change 90 days to a longer period, possibly 120 days. Alternatively, the rule could be maintained, but the Scheme could recognise that IPSA may need to exercise discretion and relax it when there is a good case for doing so.

#### Personal submission of claims

82. The online expenses system requires new work for the MP or member of staff used to the old paper-based system in the House of Commons. IPSA's system involves a greater degree of



personal responsibility and accountability than before. Paragraph 2.1(b) of the Scheme reinforces this position by requiring that a claim be submitted personally by the MP. In practice this does not mean that an MP has to enter all of the details onto the system, but the intention is that he or she should submit the final product to IPSA. MPs can appoint a “proxy” who can do most of the work before forwarding the final claim to the MP for submission. Each MP and proxy has their own security code.

83. IPSA already recognises, in the guidance to the Scheme, that in cases where the MP is indisposed and unable to fulfil their parliamentary duties, they should be able to delegate the authority to submit claims to another MP, or to a proxy.
84. IPSA is aware that for some MPs with demanding schedules, it would be easier if their proxies were able to submit claims on their behalf. Many MPs have experienced and trusted staff to whom they are happy to delegate such matters. There is a case for recognising this by allowing MPs to declare that proxies can submit claims on their behalf. This must be a decision for the individual MP, who would be required to accept full accountability.

#### Redaction of evidence before it is submitted

85. Paragraph 2.3 of the Scheme states that a claim will be refused if any part of the supporting evidence is redacted before it is submitted to IPSA. This was to avoid the risk of any evidence that might be needed to assess the claim being inadvertently removed. It has been pointed out that this means that occasionally MPs have to provide personal details (for example on a bank statement) which are not relevant to the claim. Some MPs are concerned that this creates an unnecessary risk of personal information being published by IPSA.
86. IPSA is considering whether to allow MPs to redact information (possibly on a limited number of items, like bank statements). This approach might, of course, lead to delays to payments if IPSA had to seek further clarification from MPs because documents had been excessively redacted.

#### Criteria for reviewing claims

87. If IPSA decides that a claim, or part of it, should not be paid, the MP can ask for a review of the decision. This must be done within 14 days of being notified of IPSA’s decision. Paragraph 3.6 of the Scheme states that a request for a review must be on the grounds either that the rules have been applied inconsistently, or that an administrative error has been made by IPSA. There are no criteria that relate to any actions by the MP. Some MPs have argued that the Scheme is difficult to understand and that they may make a genuine error, which they should have a chance to rectify through the review process. IPSA might, therefore, include an extra criterion, which related to error by the MP, whether administrative or through a misunderstanding. The risk would be that this additional criterion could be used to review virtually every decision by IPSA not to pay a claim.

*Q12. Should there be a change to the 90 day rule for making claims? If so what would be the best alternative?*

*Q13. Should MPs be able to delegate authority to submit claims to their proxies?*

*Q14. Should MPs be able to redact any information on the evidence provided to support a claim? If so, should the type of evidence where this is permitted be limited to a specified list of items?*

*Q15. Should error by the MP be a criterion for allowing a review of a claim that has been determined as “not paid” by IPSA?*

*Q16. Are there any other rules in Parts 2 and 3 of the Scheme which should be reconsidered?*

## CHAPTER 4

### GENERAL CONDITIONS OF THE SCHEME

#### Background and objectives

89. The purpose of the general conditions in Part 4 of the Scheme is to ensure that MPs have a clear understanding of what they have agreed to when they claim expenses. This underpins the integrity of the Scheme and is vital for ensuring public confidence. In particular, it makes it clear that expenses can only be claimed when they have been incurred in performance of parliamentary functions.
90. The general conditions also include rules to:
- a. enable publication of claims;
  - b. enable IPSA to carry out assurance and audit functions with the assistance of MPs;
  - c. allow IPSA to determine and amend budgets;
  - d. prevent the transfer of expenses between budget – the practice known as “viring”;
  - e. identify the constituencies which form part of the “London Area”;
  - f. establish the definition of a “connected party”;
  - g. establish the transitional arrangements for MPs who received mortgage interest payments in the previous Parliament; and
  - h. allow the continuation of payments for disability assistance.
91. These conditions apply across the Scheme, and the main issues which have arisen with regard to them are covered in the relevant sections of this paper. For example, the key themes in Chapter 2 refer to the issue of distinguishing between the CORE and GAE budgets when viring is not allowed, and to the definition of the London Area. The conditions attached to mortgage interest subsidy are covered in Chapter 5 on accommodation expenses.
92. The employment of ‘connected parties’, particularly family members, attracted controversy during the consultation on the First Edition of the Scheme. IPSA decided that the experience and links with the local community that a family member could bring in support of an MP warranted continuing employment of family members (or other connected parties, such as those who have a business relationship with the MP), but that appropriate safeguards were required. While returning MPs could continue to employ any connected parties already employed, new MPs were limited to one connected party. Job descriptions and standard contracts were required, and the names and the salaries of the connected parties would be published. Initially IPSA envisaged that the precise salaries would be published. However, following the consultation on our proposals for publication, IPSA concluded that salary ranges

(in a £5,000 band) are sufficient. See paragraphs 162-165 for a further discussion about the issues relating to publication.

93. So far, during the operation of the Scheme, no significant issues have emerged with regard to the employment of connected parties. There have been some questions about contracting the services of a connected party, but it has been made clear that this is not allowed.

*Q17. Are there any issues concerning the general conditions of the Scheme that IPSA should address?  
Are there any current issues regarding the employment of connected parties?*

## CHAPTER 5

### ACCOMMODATION EXPENSES AND THE LONDON AREA LIVING PAYMENT

#### Background and objectives

95. MPs for non-London Area constituencies can claim accommodation expenses so as to allow them to fulfil their parliamentary duties. These take the form of rent and associated costs, or hotel costs up to a limit of £130 per night in London and £105 outside London. London Area MPs can reasonably be expected to commute to Westminster from one location.
96. The rental budget for London has been set at a level which should allow an MP to rent a one bedroom flat in a location within reasonable travelling distance of Westminster. Supplements are available to meet the additional expenditure involved in providing accommodation suitable for dependants. The rental budgets for locations outside London comprise a number of bands which reflect the Valuation Office Agency's estimates of the costs of renting a one bedroom flat in that location. Further, it is fair that MPs who own a property in the second location should be able to claim associated expenses, such as utilities and council tax. There is a saving to the taxpayer because rent is not being claimed.
97. Following the strong views expressed in the consultation to the First Edition of the Scheme, the mortgage interest subsidy available to MPs who received it before the 2010 General Election, will cease after a transitional period ending on 31 August 2012. Any capital gain which reflects the taxpayer's contribution to meeting the cost of the mortgage will be recouped by IPSA.
98. If any non-London Area MPs should decide not to claim accommodation expenses, with a significant saving to the tax payer, the Scheme allows them to claim the London Area Living Payment to contribute to their travel expenses.

#### Summary statistics

99. As Table 3 at Annex A shows, 472 MPs have claimed accommodation expenses. The majority of claims are for rent and the associated expenditure, like utilities and council tax. Within the rental total, the majority are claims for a London residence. 57 MPs are claiming for mortgage interest subsidy under the transitional scheme, mostly for London properties. 48 MPs are claiming for associated costs only. A number of MPs also stay in hotels as the table indicates.
100. For the MPs claiming for rental accommodation in their constituency, the average claim per month for rent is £525. The majority of the claims fall in the two lowest regional bands, the limits of which are shown in Table 3. The average is below the maximum in either of these. The average claim for rent in London is, on average, £1,101 per month. This figure is well within the monthly limit of £1,450. MPs can also claim up to £2,500 a year for associated expenditure. These figures are not included in the table, as the rental limits have attracted the most interest, but we are collecting them.

101. The Scheme provides for a loan to MPs to cover their deposit on rented accommodation. 174 MPs have taken out such a loan, with an overall value of £319,000.

#### Associated Expenditure

102. The Scheme lists the associated expenditure that can be claimed. This list has worked well and IPSA has no plans for significant changes. We do wish to clarify that MPs who are claiming associated expenditure for a property they own may claim for buildings insurance, and we may alter the wording to make it clear in the rules themselves, rather than accompanying guidance, that expenditure on cleaning, gardening, purchases and maintenance of furniture cannot be claimed. Removal costs are not in the list, but can be claimed under the contingency arrangements: IPSA considers this to be more appropriate than including what can be a large one-off cost in this capped budget.
103. Accommodation budgets are set as an overall amount for rent and associated expenditure, with a maximum within that for rent. This means that if an MP rents at a cost below the maximum, he or she will have marginally more available for associated expenses. IPSA sees no reason to change this, as it provides some flexibility in the budget; but it has had to introduce guidance to stress that an MP who owns his or her property and only claims associated expenditure should not take advantage of the scope to claim disproportionate amounts of associated costs. £2,500 a year should be the guideline.

#### MPs sharing Accommodation

104. If two MPs are sharing accommodation they may be able to claim for four-thirds of one member's budget. In other words, and in common with the rules of the Scottish Parliament, for any combination of MPs sharing, each Member would be able to claim for up to two-thirds of the normal budget. This rule was also recommended by the Committee for Standards in Public Life for partners (it was silent on MPs who are not partners). IPSA regards the rule as fair because it is unlikely that the costs per head will be as high for two MPs who are sharing as they are for an individual MP. However, this rule has been criticised, particularly by MPs who already have a shared rental agreement which is not fully covered by the four-thirds budget. It is also said that this rule may discourage MPs from sharing, thus increasing the overall cost to the tax payer. Only 11 MPs have registered to share accommodation, eight with one other MP, and three with two others.

#### Hotel Costs

105. There is a cap on the reimbursement for hotel stays: £130 per night in London, £105 per night in the rest of the country.
106. IPSA's data show that the average value of a claim per night in London has been £111.51. Booking in advance or using the House of Commons travel office arrangements can be helpful in getting value for money, but there is anecdotal evidence that when MPs have to book at very short notice, it can be difficult to find a hotel reasonably close to Westminster for £130 or less. This is more likely to be an issue for an MP who needs a hotel because of a late night sitting in Parliament (and claims from Travel and Subsistence) rather than one who routinely stays in a hotel when in London and claims accommodation expenses. Indeed, there is some

reason to believe that hotels in the Westminster area have adjusted their rates to fit within the IPSA Scheme.

107. IPSA could raise the limit, but would welcome evidence that there is a problem here.

#### Mortgage Interest Subsidy and Recouping of Capital Gains

108. Taxpayers' subsidy of mortgage interest and concerns relating to capital gains and "flipping" of properties were amongst the most controversial issues during the 2009 expenses scandal. IPSA responded, with strong support from both the political parties and public, by ending the practice of subsidising mortgage interest, with a two year transitional period for returning MPs who had to reorganise mortgage arrangements. In practice this might mean that an MP sells the property, but this would be a decision for the individual MP. To benefit from the subsidy from 7 May 2010, an MP needed to agree to return that part of any capital gain that was attributable to the taxpayer's support, either on sale of the property within the two year transitional period or after the transitional period expired on 31 August 2012. This might involve the MP reimbursing IPSA against a notional gain. To apply for the subsidy for a transitional period the MP must first have his or her property independently valued by a valuer regulated by the Royal Institute of Chartered Surveyors (RICS). A second valuation is required at the end of the transitional period if a notional gain is to be calculated. The conditions and supporting guidance are set out in Annex A of the Scheme.
109. So far 57 MPs have claimed for the mortgage interest subsidy, of which two were London Area MPs, who had been entitled to the subsidy previously.
110. This is an area of the Scheme which some MPs feel is unfair. Some are concerned at the prospect of having to pay back a capital gain which is only notional, if they have not yet sold their property. In the event of a significant rise in property prices they could find themselves owing IPSA a significant sum of money. Others face the prospect of reimbursing the taxpayer for a capital gain notionally incurred since the date of the first valuation, when they face negative equity because the value of the home has fallen since they bought it.
111. IPSA cannot take account of events or private decisions that occurred before the Scheme came into force on 7 May. In recognition of potential cash flow problems arising from any repayment, IPSA will allow MPs who request it to repay the money over the remainder of this Parliament. Also it will only require payment of the gain after a notional sum equivalent to the prospective capital gains tax is deducted.
112. IPSA is willing to listen to views either in favour of or against this position, although its starting point is that it is not inclined to amend this part of the Scheme.

#### The London Area Living Payment (LALP)

113. The LALP is covered by Part 6 of the Scheme. It is an annual, taxable payment of £3,760, available to all London Area MPs and to non-London Area MPs who choose not to claim accommodation expenses. It is designed to contribute towards the additional expenses of living in the London Area *or* of commuting to the London Area. The figure of £3,760 was recommended by the Senior Salaries Review Board in 2007 (uplifted for inflation).

114. In view of the constraints on public expenditure, IPSA would not expect to increase this sum in 2011-12, but welcomes views on its level and what it is being used for.

*Q18. Do you agree that the rules on associated expenditure should remain as they are except for a clarification on the types of expenses which are, and are not, claimable?*

*Q19. What are your views on the rules governing MPs who share accommodation? Is the two-thirds rule acting as a disincentive to sharing?*

*Q20. Is the £130 cap on hotel costs in London too restrictive?*

*Q21. IPSA does not expect to change the rules on mortgage interest and recoupment of capital gains. Do you think that it should be changed? If so how? What do you think the impact of any change would be on public confidence?*

*Q22. Are there any changes required to the operation of the London Area Living Payment?*



## CHAPTER 6

### TRAVEL AND SUBSISTENCE

#### Background and Objectives

115. The rules on Travel and Subsistence form Part 7 of the Scheme. IPSA's overall objective in this area is to ensure that MPs are fairly reimbursed for travel costs incurred in pursuing their parliamentary duties. Likewise, when MPs' staff are supporting that work they should be reimbursed, although some limits are put on travel by staff.
116. Subsistence - food and non-alcoholic drink - can be claimed when MPs and their staff are away from their normal places of work (Westminster and the constituency), as part of their parliamentary activities. There is also recognition of late parliamentary sittings. Foreign travel and subsistence is strictly limited.
117. Travel and subsistence prompt the public to make direct comparisons with their own experience. IPSA was mindful of this when drawing up the rules. In particular, it was important to ensure that a daily commute should not be treated as a reimbursable expense. It was also the reason why first class travel and the use of taxis were symbolic issues that provoked strong feelings during the consultation on the Scheme. In devising its rules IPSA tried to focus on value for money and the public's sense of what was appropriate, as well as asking what was reasonable for MPs to be able to claim.
118. It is important to get the balance right between transparency and accountability on the one hand and detail and bureaucracy on the other. The requirements for evidence in relation to for travel and subsistence bring this balance into sharp focus.
119. The issue of travel expenses for MPs' family members is covered in the key themes earlier in this paper.

#### Summary Statistics

120. Travel is one of most widely claimed expenses, which is not surprising given the need for a majority of MPs to travel to Westminster during the week and to conduct work in their constituencies. There were 33,058 lines of travel<sup>16</sup> claims up to the end of September, which is 54% of the total claims made across all categories.
121. Table 6 in Annex A shows how many MPs have claimed travel expenses. The most, 492, have claimed for car mileage (which can cover more than one journey), with an average claim of just under £25. 395 MPs have claimed for rail travel, with an average claim costing just over £71. 348 MPs had claimed for the reimbursement of staff's travel, with the average value of a claim being just over £30.

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<sup>16</sup> A line is a single claim item, which can be part of a larger overall claim. For example this could be one day's worth of mileage claims in a claim which covers a number of days.

122. Only seven MPs had claimed for hotel costs for overnight business (as opposed to accommodation in London while attending Parliament). On the other hand 168 MPs had claimed subsistence for late sittings of Parliament (after 7.30pm) with the average value of a claim being just over £10 (the limit being £15).

#### Claimable and Non-Claimable Journeys

123. Paragraphs 7.2 and 7.3 of the Scheme set out broadly what journeys may and may not be claimed for reimbursement. For non-London Area MPs, the journey to and from Westminster is allowed, as is travel within the constituency (and up to 20 miles outside it) apart from the commute from constituency home to office. For London Area MPs, the daily commute to Westminster is not allowable, but journeys between the constituency office and Westminster are allowable, as well as travel within the constituency. This follows the principles that travel in the course of parliamentary business should be claimable, while the daily commute should not.
124. Specific challenges facing some London Area MPs are covered in the key themes earlier in this paper, so are not revisited here. One further concern that has been raised in relation to London Area MPs is the possibility that the commute could effectively be funded out of the Expenses Scheme if an MP first visits the constituency office before travelling to Westminster. The rules do not specifically mention commuting, but are cast in terms of start and end points and the location of the constituency. There is no evidence from the online expenses system which suggests that any MP is taking advantage of the way that the rule in paragraph 7.2(b) is expressed.
125. The presumption in the Scheme that MPs and their staff should not be able to make travel claims for their daily commute to work puts them in the same position as other citizens. This is principally an issue for some MPs in the London Area, as the majority of non-London MPs are likely to have accommodation within close reach of Westminster while the House is sitting. The rules do, however, also prevent claims for travel from all MPs' constituency homes to their constituency office. This prevents claiming for a home to office journey in the constituency, even though it is not the regular daily commute (at least not while Parliament is sitting).
126. Some MPs have argued that this rule is punitive and bureaucratic. It means that when claiming for constituency travel, say on Friday, or at the weekend, MPs must be careful to exclude the first few miles of their travel if they go into the office first, and the last few, if they stop off their at the end of the working day. Generally the sums will be small, and the value of excluding them correspondingly small. Equally, for some MPs with large constituencies (by geographical area), there may be a long distance between their home and their office and they will not be able to claim for this travel, which arguably is essential for them to begin their day's business in the constituency. It is not the type of daily commute experienced by the average commuter.
127. Views are therefore welcome on whether paragraph 7.3(b) of the Scheme, which prevents claims for travel between MPs' constituency homes and constituency offices, should be removed from the Scheme.

128. The rule on extended travel has caused some confusion, because there was initially no definition of what might or might not be justified<sup>17</sup>. IPSA has provided detailed guidance on the issue, but there is more work to be done to ensure that this is fully understood, because it requires a judgement about each individual case. IPSA is not minded to put more detail into the rules themselves as that can lead to unnecessary inflexibility, but would welcome any views on what further explanation would be helpful.
129. A further aspect of extended travel which has caused some comments is whether or not IPSA should fund travel by MPs when on select committee duty, or MPs who are on opposition front bench duty. IPSA's current position is that the cost of neither of these categories of travel should be funded by IPSA. This is because these are functions that IPSA would have expected to be covered by the House of Commons. IPSA's broad approach is that it will fund necessary expenditure that is not covered by the House, but it will not duplicate funding which is or should be available from the House. IPSA is, nonetheless, open-minded about these areas of funding. If the funding is clearly not available from the House and IPSA's budget for the Scheme includes an allocation for select committee and opposition front bench travel, then it will fund the claims made by MPs in these areas.
130. Given the variety of circumstances in which 650 different MPs carry out their duties, the rules on travel are bound to throw up some apparent anomalies or difficulties. If IPSA created yet more rules to account for each of these issues, which may only affect a few MPs at most, the rules would become ever more complex and cumbersome. It is better that the primary responsibility for what should be claimed should rest with the MP. IPSA can then exercise a measure of discretion with regard to an individual case, or allow a claim through the contingency arrangements if it is judged to be reasonable. IPSA may need to set out more clearly in the rules the criteria that guide it in the exercise of these forms of discretion. Views would be welcome on this issue.

#### Public Transport - the Class of Travel

131. Whether MPs should be allowed to travel first class on trains became one of the defining issues of the consultation on the First Edition of the Scheme. IPSA's decision was to focus on value for money to the taxpayer, rather than on the class of travel. The maximum amount claimable is the cost of a standard open ticket. If a first class ticket is less than that, usually because it is booked in advance, then that is claimable. A similar principle operates on other forms of travel: air, coaches, and ferries, for example.
132. Overall, this principle operates effectively. There have been some concerns amongst MPs who need to fly regularly, often at short notice (the Northern Irish MPs have the most concern here) that there will be times when flexibility will be needed, and the rules were adjusted in July to help in this area. Some Scottish MPs expressed concern that they may not be able to secure single berths on sleeper trains because of the cost limits; but IPSA is not aware that this problem has actually materialised and would review the situation if it did so.

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<sup>17</sup> "Extended travel" is travel other than the journey from the constituency to Westminster and travel within the MP's constituency. An example would be visiting a constituent in prison in another part of the UK, or a visit to a factory outside the constituency, whose business is relevant to an MP's constituents. See the guidance supporting paragraph 7.2(d) of the Scheme for more examples.

133. IPSA has had some comments from MPs that their inability to travel first class at short notice (when it will be more expensive than a standard open ticket) has impaired their ability to do work on constituents' cases when they are travelling, because of the confidential material they are handling. IPSA believes that it is important that the focus in this area is on value for money, and so does not propose to make any changes; but of course it is willing to consider counter-arguments.

#### Taxis

134. The Scheme assumes that taxis should only be taken when absolutely necessary. This mirrors the situation faced by many other professions, particularly in these straitened financial times.
135. Some MPs have challenged this rule. Leaving aside late sittings of Parliament, which are special cases, the main contention is: how does one decide that no other reasonable method of transport was available? Some MPs have asked IPSA to provide a more detailed list of criteria. Thus far IPSA has resisted that because it would add complexity to the operation of the Scheme, while never managing to be comprehensive. An alternative approach would be to relax the rules on taxis and rely on MPs to make the judgement about what is reasonable, bearing in mind the current financial climate and the fact that claims for the use of taxis will be published. It would support the approach of giving greater responsibility to MPs within a framework of principles. This is potentially a difficult area in terms of public confidence and IPSA welcomes views - from the public as well as MPs - about the best way forward.

#### Travel by Staff

136. There is no dispute over whether the travel expenses of MPs' staff should be reimbursed; but there is an issue about the limit that the rules set - a maximum of 24 single journeys per member of staff each year (paragraph 7.18 of the Scheme). The rule reflected that set by the House of Commons, which had a similar limit of 24 journeys, but with the journeys to be shared amongst staff. This was offset by the fact that journeys could also be claimed under other budgets than travel. Generally, the limit of 24 journeys is unlikely to be restrictive. However, for staff who regularly travel between the Westminster and constituency office the number allowed may not be enough.
137. One option to tackle this would be allow for the transfer of entitlements from one member of staff to another. For example, if an MP had three members of staff, there would be 72 available journeys between them. This could only be done on the basis of full time equivalents, given that many MPs have a number of part time workers and interns. This might risk making the Scheme over-complex, trying to cope with an issue that is at the margins in terms of the overall Scheme. An alternative would be to have no limit at all, as it is unlikely to lead to excessive travel claims amongst MPs' staff. A third possibility is that MPs could apply for a higher limit for particular members of staff. Views are welcome on this issue.

#### Subsistence for Late Sittings of Parliament

138. The issues relating to taxis and hotels are covered in the London Area section of the key themes as those issues apply particularly to London Area MPs. The subsistence rules apply to all MPs.

139. MPs have a £15 daily limit for subsistence when the House sits after 7.30pm. This is reasonable for a meal: in fact the average claim is just over £10, although this figure may increase if the new House of Commons practice of charging a flat rate price of £15 continues.<sup>18</sup> There have been questions about why a sitting becomes late at 7.30pm and whether a meal either bought or consumed before that time is claimable. In addition the current tax rules mean that the expense is taxable if it is eaten off the House of Commons premises, but exempt if it is eaten on the premises.
140. A simple subsistence payment irrespective of whether Parliament sits late or whether the MP actually buys a meal, would not be appropriate. One solution to the questions raised would be to remove the payment altogether, but this would not be fair to MPs who need to stay in the Commons while Parliament is sitting. A change in the threshold time (7.30pm) would not be based on any substantial evidence. Therefore, IPSA is inclined to leave the current rules in place.
141. Some MPs have argued that they should be able to claim subsistence for working after 7.30pm in the House of Commons even when Parliament is not sitting. While this is understandable, as MPs have many other parliamentary commitments, IPSA believes that this would not sit well with the principle that MPs should be treated in the same way as other citizens unless there is a good reason not to do so. Many people work long hours and do not receive a subsistence payment when they do. IPSA has allowed a payment when Parliament is sitting late because of its regularity and because MPs have no control over the timings themselves, but would be reluctant to go any further.

*Q23. For avoidance of doubt, should the rules in paragraph 7.3 of the Scheme be amended explicitly to exclude the daily commute from reimbursable expenses?*

*Q24. Should rule 7.3(b), which excludes claims for travel between MPs' constituency homes and constituency office be removed, on the grounds that the journey does not represent a daily commute and creates unnecessary bureaucracy?*

*Q25. Should the rule on extended travel (paragraph 7.2 (d)) of the Scheme be expanded to take in some of the guidance in order to make it clearer? Or is it better to allow scope for MPs to exercise responsibility for what they claim?*

*Q26. Should IPSA, subject to the availability of funding, reimburse extended travel claims made by MPs on select committee or opposition front bench business?*

*Q27. Do you agree that individual cases which are just outside the rules should continue to be dealt with by the exercise of discretion or through contingency? Should there be a rule which explicitly allows for this in respect of travel claims?*

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<sup>18</sup> IPSA has expressed its concern to the House of Commons authorities about the £15 flat rate charge, and a £10 option was agreed by the House of Commons Commission in November. This is still likely to exceed the price of the same meal if bought by a non-MP.

*Q28. Do you agree that value for money should remain the central criterion for public transport claims, and that first class travel should only be allowed if its cost falls below the relevant measures of value for money for each type of public transport?*

*Q29. In relation to claims for the use of taxis, should IPSA have more description in the rules of what is reasonable; or should it relax the rules and rely on MPs taking responsibility for what it is reasonable to claim? Or should the rules remain as they are?*

*Q30. Should the 24 single journeys rule for MP's staff travel be changed? If so how?*

*Q31. Should any changes be made to the rules on travel and subsistence for late sittings of Parliament? Should any late working be eligible for a subsistence claim?*

## CHAPTER 7

### MPs' STAFF

#### Background and Objectives

143. IPSA's key objectives in this area are to ensure that MPs have the support that they need to fulfil their parliamentary duties; and to ensure that the taxpayer is getting value for money from an affordable level of expenditure. Staffing budgets were covered in the key themes section, so are not addressed here.
144. It is important, too, that staff receive a fair wage for their work and have contracts which provide them with clear and fair terms and conditions. Accordingly, IPSA requires all new MPs to provide their staff with contracts based on model contracts and job descriptions which have been developed by IPSA. The same requirement applies to any new staff employed by any MP. For staff employed by returning MPs before the 2010 general election, existing contracts are honoured by IPSA; but MPs should notify IPSA of any contracts where the salaries are outside the pay ranges in the model job descriptions.
145. IPSA will not reimburse MPs for the payment of bonuses. This decision was taken to provide a safeguard against any abuse of staffing expenditure. Such abuse was a concern at the time of the consultation on the First Edition of the Scheme, particularly in relation to the employment of family members. It may be less of an issue now.
146. IPSA was concerned that interns and other volunteer staff should be treated fairly and receive proper payment for their work. For that reason the summary of the First Edition of the Scheme stated that IPSA would only pay expenses to MPs for the services of interns if the intern had been given a contract of employment which complied with a standard contract drawn up by IPSA. This was amended in the Second Edition of the Scheme so that interns could be engaged on a voluntary basis and claim incidental expenses.
147. MPs were provided with flexibility in how they received support by allowing for bought-in services and pooled staffing arrangements.
148. The rules allowed MPs' staff to exercise their rights to maternity, paternity and adoptive leave and for cover to be provided in their absence. Likewise cover could be provided for staff on long term sick leave.

#### Model Staff Contracts and Pay Ranges

149. The model staff contracts and job descriptions were based on the existing House of Commons models and were updated to reflect best employment practice. Again, the pay ranges were based on existing House of Commons ranges, but updated to reflect market rates for the jobs in question. A 20% uplift was applied to pay ranges for London area staff.
150. Paragraph 8.5 of the Scheme requires all new contracts to be approved by IPSA. Immediately after the general election, some staff were working before they had a contract, particularly

one approved by IPSA. IPSA decided to ensure that staff were paid from when they began work (provided that was after 7 May 2010) and a new rule was introduced in the Second Edition of the Scheme, which allowed discretion to be exercised in this area. This will avoid the same problem arising after a future election.

151. The approval process has been very time-consuming and in some cases, complex. While it has achieved the objective of ensuring that all new staff have fair terms and conditions, there must be a question of whether it is a disproportionate measure. The rules could continue to require that model contracts, job descriptions and pay ranges are used by MPs, but that approval by IPSA is not required. IPSA could ensure compliance through an audit of a sample of contracts. Views are invited on this issue.
152. It is not clear whether all MPs have notified IPSA of exceptions to the model pay ranges. IPSA thinks that some MPs may not have, but it has not had the resources to conduct a detailed check. In any event, IPSA would not wish to stop paying staff simply because their MP had not notified IPSA. It would serve no useful purpose and would be unfair to the member of staff. The rule at paragraph 8.5 on exceptions was a transitional measure and is effectively redundant. IPSA proposes therefore to delete the reference to notification of exceptions in paragraph 8.5.

#### Reward for Good Performance

153. IPSA has stated that it will not reimburse MPs for the payment of bonuses. This was to prevent the payment of discretionary bonuses, possibly at the end of the financial year, when funds remained in the budget as happened under the old system of allowances. However, IPSA does not wish to prevent MPs from rewarding exceptional performance, so long as they are able to do so from within existing resources.
154. There are a number of ways that good performance can be rewarded, from a small scale reward and recognition scheme (a method adopted by IPSA for its own staff) to increases in pay or bonuses. IPSA would not wish to allow bonuses, but it is willing to consider other appropriate methods. This does not need to be in the Scheme, but IPSA would like to use this consultation to discuss the issues with MPs and their staff, and to gauge public reaction.

#### Interns, other Volunteers and Apprentices

155. In the second edition of the Scheme, published in July, IPSA introduced rules to allow the payment of incidental expenses to interns and other volunteers, subject to the MP and the intern signing an agreement (not a contract) based on the model agreement developed by IPSA. This recognised the actual situation and the mutual benefits in employing interns and other volunteers. IPSA does not currently propose any further rule changes here, but notes that some MPs still wish to pay a salary to interns, albeit not one as high as the model salary ranges. IPSA's response is that it is possible to do so by using the model casual contract and agreeing to a payment which is at least the national minimum wage.
156. However, IPSA is aware that this remains a controversial area for some, and raises issues about what interns and other volunteers are being paid for, and whether those payments are fair. IPSA is therefore willing to consider any further representations on the question of



interns and other volunteers, to see if there are further improvements that could be made to the rules.

157. IPSA is also interested in views on whether there should be a rule specifically covering apprenticeships, and how that should be worded.

#### Bought-in and Pooled Services

158. £363,409 has been spent on bought-in services and £636,645 on pooled resources up to 22 November.<sup>19</sup> The only issue that has arisen for IPSA has been whether payment for certain pooled services must come out of staffing or whether it can also come out of GAE, which allows for reimbursement for professional services (£228,753 has been spent on such services). IPSA has said it can come out of either, recognising that MPs have different pressures on their budgets, depending on how they structure their operations. The intention was that payment for pooled resources should come from the staffing budget, but in this area IPSA has agreed to allow some flexibility. It sees no need to change this approach, although a pooled resource may account for £2,000-3,000 which is a large proportion of the GAE budget, but a relatively small proportion of the staffing budget.

#### Maternity, Paternity and Adoptive Leave

159. IPSA is committed to allowing MPs' staff to exercise their rights in this area, and to providing cover during absences. This has always been the case. Funding for cover comes from the contingency arrangements, so that it does not put a strain on an MP's staffing budget. The arrangements are covered in guidance to paragraphs 12.13 and 12.14 of the Scheme.
160. The fact that maternity cover comes from contingency has been portrayed by some as meaning that it is not certain that it will be covered, because it will be subject to IPSA approval. IPSA recognises that this is a sensitive matter for staff. It proposes, therefore, to amend the rules to identify a separate arrangement for maternity, paternity and adoptive leave. It will make no difference to the payment processes but will hopefully give reassurance that such arrangements will be honoured.

#### Contributions to Trade Unions

161. At present, IPSA does not have arrangements for deducting trade union contributions from staff salaries, although it has salary sacrifice arrangements for childcare voucher schemes. This is not for any policy reason: it is simply that there have been other priorities in establishing an effective payroll system for MPs and their staff. IPSA is happy to establish the necessary arrangements for trade union contributions and will discuss this with the interested parties. A new rule is not essential, although IPSA could have one for the avoidance of doubt.

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<sup>19</sup> A "bought-in service" is one provided by a contractor, rather than someone on the payroll. "Pooled resources" are typically research and briefing services, where MPs can receive the service from a separate organisation without having to employ a researcher directly. This can be an efficient way of providing the service to MPs, both in terms of cost and expertise.

## Publication of Staff Salaries

162. IPSA's policy on the publication of staff salaries was set out in its July 2010 response to the *Consultation on IPSA's Publication Proposals*. IPSA's policy is that it will publish, at least annually, a list of MPs' staff paid from public funds, listed in terms of their job function, including salaries expressed in ranges of £5,000. Names of staff will not be included, other than the names of connected parties employed by MPs and paid from public funds. Spending on staff salaries, along with national insurance and pension contributions, is the largest element of expenditure under the MPs' Expenses Scheme. The publication of MPs' staff salaries is, therefore, central to the transparency and accountability of public spending. IPSA's approach was supported by the Information Commissioner's Office in its response to the consultation.
163. Since July, a number of MPs' staff and their representatives have expressed concern about IPSA's plans to publish staff salaries against job titles. This concern is based on the fact that the number of staff in any MP's office is small – most likely between three and five – and so it would be relatively easy to identify individuals by their job titles, and thus their salary ranges. Although publication of staff salary ranges is becoming the norm in the public sector, this typically applies to comparatively large organisations, where individuals (other than senior staff) are not individually identified.
164. The question, therefore, is whether IPSA should reconsider its position to take account of MPs' staff concerns. IPSA could still proactively publish the overall expenditure on staff for each MP, which would help to meet transparency and accountability concerns. Views are welcome on this issue.
165. It is essential that IPSA continues to publish the salary ranges of individuals who are connected parties (for example, family members). This is an important part of the assurance to the public that continued employment by MPs of connected parties would be safeguarded against potential conflict of interest.

*Q32. Should the requirement in paragraph 8.5 of the Scheme that IPSA needs to approve all new staff contracts be replaced simply by a requirement for MPs to comply with model contract, job description and pay ranges? IPSA would then audit a sample of contracts.*

*Q33. Should the requirement, also in paragraph 8.5, for notification of exceptions to the model pay ranges be removed?*

*Q34. Are there any further changes needed to the rules on payment of interns? Should a rule be introduced for apprenticeships?*

*Q35. For avoidance of doubt, should payment of cover for maternity, paternity and adoptive leave be separately identified from contingency arrangements in Part 12 of the Scheme?*

*Q36. Should IPSA alter its policy on publication of MPs staff salaries so that only the overall expenditure for each MP, along with any connected parties' salary ranges, is published annually?*

## CHAPTER 8

### CONSTITUENCY OFFICE RENTAL AND GENERAL ADMINISTRATIVE EXPENDITURE

#### Background and Objectives

166. Part 9 of the Scheme covers Constituency Office Rental Expenditure (CORE) and Part 10 covers General Administrative Expenditure (GAE). Together, these cover the costs of running a constituency office, and/or whatever other arrangements MPs make to support their parliamentary activities, where the costs are not covered by the House of Commons.
167. The main issues for CORE and GAE have been covered in the key themes section. They are concerned with the size and flexibility of budgets, and the need to simplify processes and requirements for evidence where possible, in a way that does not undermine the integrity of the Expenses Scheme. The issues are not repeated here.

#### General

168. Many of the queries that MPs and their staff have raised over the past six months have been about what can be claimed under GAE and CORE. There is uncertainty, for example, about which budget the hire of rooms in which to hold a constituency surgery should come from (the answer is CORE). The budget an MP claims from may depend on the relative pressures on each of the budgets. Should the CORE and GAE budgets be merged, as has been discussed earlier, many of the difficulties will be eliminated, and bureaucracy will be reduced. IPSA does not therefore go into detail about issues like hire of rooms for surgeries and claiming for telephone costs in this section. However, if there are particular issues which are not covered here which consultees wish to raise then they are welcome to do so.

#### Summary Statistics

169. Tables 10, 11 and 12 of Annex A show the expenditure on CORE and GAE up to 22 November 2010.
170. £1,691,667 has been spent on CORE. It is worth observing that only 582 MPs have registered for CORE up to this point. IPSA would like to find out why this is so.
171. Expenditure on GAE is approximately £2m in total. So far 628 MPs have claimed for items under GAE. On average, each claim is £126.90. The largest items of expenditure are for the Parliamentary Resources Unit and stationery. At the end of November 70 MPs had already spent two thirds of their GAE budgets, so IPSA expects a number to submit applications for contingency in the coming months. This is particularly likely to apply to new MPs who have incurred high start up costs.

## Issues

172. Some MPs are paying for buildings insurance when they rent an office. IPSA may need to add that to the associated costs that can be claimed under CORE.
173. The explicit exclusion of accountancy services for personal tax work in paragraph 10.4.d(ii) of GAE needs to be clarified so that MPs can be reimbursed for that element of advice on tax and other business issues which relates to their parliamentary activities. Views are welcome on how easily the different types of advice can be disaggregated.
174. Removal costs, if incurred, can account for a large proportion of an MP's GAE budget. IPSA is considering whether we should treat office removal costs in the same way as residential removals by making them payable under contingency, as they are likely to be infrequent and one-off payments.

*Q37. Do you have any comments on possible changes to how we treat buildings insurance, accountancy services and office removal costs?*

*Q38. Are there any other issues of detail, which would not be resolved by the merger of CORE and GAE, which you wish to raise?*

## CHAPTER 9

### PAYMENTS AND PROCEDURES ON LEAVING PARLIAMENT

#### Winding up Expenses

176. Part 11 of the Scheme covers winding up expenses, which are designed to meet the costs of completing the outstanding parliamentary functions of someone who has ceased to be an MP.
177. The rules on winding up expenses have not yet been widely tested and IPSA has not been made aware of any reason to reconsider any of them. Views on the rules as they stand are, nonetheless, welcome.

#### One-off Payments on leaving Parliament

178. The Summary of the First Edition of the MPs' Expenses Scheme (paragraphs 43 and 44) stated that IPSA took the firm view that a one-off payment (which is analogous to redundancy pay) did not properly fall within the ambit of expenses. Under the previous system there was a "resettlement allowance" for this purpose. It is still IPSA's view that the appropriateness of some form of one-off payment when an MP leaves the House of Commons should be considered by IPSA when it reviews MPs' pay and pensions in 2011-12.<sup>20</sup>
179. However, there might be a case for an interim arrangement, to allow for the possibility, however unlikely, that Parliament might be dissolved before the time that the next General Election would be expected. As things stand, there are no arrangements for any sort of resettlement payment. It may be argued that if MPs lose their seats as the result of an election, then they should be entitled to some form of payment, which helps them to make the transition to non-Parliamentary life, just as many other people would receive a redundancy payment.
180. Were an interim arrangement to be pursued, there is then the question of how the payment is to be calculated. Under the previous Parliament, the resettlement grant provided for a minimum entitlement of 50% of annual salary for service of less than ten years, and a maximum entitlement for retirement at age 55 with service of more than 15 years of 100% of annual salary. This would be taxable (after the first £30,000). This arrangement could be reinstated, pending the review of pay and pensions. Alternatively, another system could be devised. One option would be to allow for a resettlement grant equivalent to two months of basic salary. This would mirror the time limits for winding up expenses. For an MP on the basic salary of £64,000, it would amount to about £10,700.
181. Views are welcome on this issue.

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<sup>20</sup> The Parliamentary Standards Act 2009, as amended by the Constitutional Reform and Governance Act 2010, gives IPSA the powers to determine MPs pay and pensions. The relevant provisions have not yet been commenced by the Government, so IPSA does not currently have the powers.

### Collection of Office Equipment

182. If an MP leaves Parliament, then IPSA is entitled to reclaim, on behalf of the taxpayer, any of the equipment which has been funded from the public purse. Clearly there is a value under which it would not be worth reclaiming an item. Equally, some equipment may be of an age where it would be of no use to anyone else.
183. IPSA has not considered the best way forward in this area as yet, as it was not an issue that we needed to address initially. We would welcome views on what approach IPSA should take.

*Q39. Do you have any comments on the winding up expenses rules?*

*Q40. Do you agree that any one-off payments to MPs on leaving Parliament should be a matter for consideration when IPSA conducts a review of MPs pay and pensions in 2011-12? Should there be any interim arrangements? If so, how should the payments be calculated?*

*Q41. Do you have any views on what approach IPSA should take to office equipment paid for from the public purpose when an MP leaves Parliament?*

## CHAPTER 10

### MISCELLANEOUS EXPENSES AND FINANCIAL ASSISTANCE

185. Part 12 of the Scheme covers a number of important areas which do not readily fit into the main body of the Scheme. These include disability assistance; security assistance above the routine expenses that can be claimed under GAE; insurance (such as employers' liability); contingency payments; and necessary financial assistance. The last category was added to the Second Edition of the Scheme in order to allow for longer term financial assistance for MPs through an interest free loan of up to £4,000, but also to allow for other appropriate measures in the future.
186. There is an argument for widening this discretion to include elements of the Scheme in addition to financial assistance, to clarify that it is reasonable for IPSA to make exceptions to the rules of the Scheme when it is necessary for MPs to carry out their Parliamentary duties effectively.
187. The contingency arrangements have been covered elsewhere in this paper. IPSA considers that they are working well, and provide a mechanism for recognising that some claims or budgetary needs fall outside the Scheme rules but are still legitimate. Having contingency arrangements helps to avoid ever more complex rules which aim to capture every eventuality.
188. IPSA believes that the disability and security arrangements are working well, and meeting the needs of the MPs who need assistance in these areas. It will of course listen to any suggestions for how these arrangements could be improved.
189. At the moment employers' and public liability insurance is provided to MPs through a central contract procured by the House of Commons. This will be funded by IPSA from 30 September until 31 March 2011. In the meantime IPSA will consider the best way of providing the necessary insurance to MPs and procure a new contract if that is deemed to be the best approach.
190. At the moment, IPSA does not know how many MPs routinely take out legal expenses insurance. Under the previous Parliament, this insurance was not provided centrally, but MPs were strongly advised to consider taking it out. There is no explicit provision for legal expenses insurance in the current MPs' Expenses Scheme, but IPSA is willing to consider introducing a rule that makes it clear that MPs can claim for the cost of taking out such insurance. The corollary of this would be that IPSA would not pay for MPs' legal costs if, for example, they were taken to an Employment Tribunal. Nor would it fund any compensation. IPSA believes that legal expenses insurance should not form part of any centrally procured contract for insurance, as each MP's office would need to be assessed separately in order to decide the premium, whereas this is not the case for employer's liability insurance and public liability insurance.

*Q42. Are there any aspects of the arrangements for disability assistance, security assistance, insurance, contingency and financial assistance that you think could be improved?*

*Q43. Do you agree that IPSA should introduce a rule which allows MPs to claim for the cost of taking out legal expenses insurance?*



## CHAPTER 11

### HOW TO RESPOND TO THIS CONSULTATION

191. IPSA has set out here its approach towards amendments to the MPs' Expenses Scheme, to allow all those with an interest to consider our proposals and put their views forward. The questions are set out in each section, and are supplemented by the following:

*Q44. Are there any other aspects of the Scheme that you would like to comment on, or suggest changes to?*

192. The consultation period runs from 5 January to 11 February 2011. Please ensure that you send your response before the closing date as responses received after 11 February may not be considered.
193. Once the consultation has closed, IPSA will move quickly to analyse the responses. It will then use the responses to amend the existing Expenses Scheme. The new Scheme will be published in March 2011.
194. The responses will be published in full, including the identity of the respondent unless the respondent indicates otherwise, as soon as possible after the close of the consultation period. IPSA will also publish our analysis of the responses.
195. IPSA asks for responses by email if possible to:  
[schemeconsultation@parliamentarystandards.org.uk](mailto:schemeconsultation@parliamentarystandards.org.uk). Please mark the email with the subject "Consultation Response". Responses should be in plain or rich text format, with as little use of colour or logos as possible. If you do not have access to email, you may send a paper copy of your response to:

Consultation Responses

Independent Parliamentary Standards Authority

7<sup>th</sup> Floor, Portland House

Bressenden Place

London SW1E 5BH

196. If you require a hard copy of the consultation paper you can request one by writing to the above address, or by emailing [schemeconsultation@parliamentarystandards.org.uk](mailto:schemeconsultation@parliamentarystandards.org.uk).

## ANNEX A: EVIDENCE

Unless otherwise stated, the following data is accurate from 7 May 2010 to 22 November 2010. Also unless otherwise stated, the underlying data is drawn from the online expenses system. This is not an exhaustive breakdown of all data available from that system, but illustrates the key evidence held by IPSA. The accuracy of the data relies on the accuracy with which claims have been entered on the system. This may affect the following figures.

The monetary values drawn from the online expenses system reflect the fact that individual claims may cover different time periods. For example, a claim for business rates may cover a monthly payment, or a six monthly one.

### Overall figures

#### Figure 1: Overall Claim Figures

- 643 MPs have registered with the MPs' Expenses Scheme by signing the Initial Declaration to use the online expenses system.
- IPSA has received 61,186 expense claims and 2,528 claims in advance on invoice for particular items. During November 2010, this amounted to an average of 3,144 claims per week.
- IPSA has reimbursed a total amount of £8,225,865.33 to MPs and their staff, and paid £1,939,362.60 in advance on invoice for particular items.

#### Table 1: Correspondence with IPSA

Correspondence type	Average replied to by IPSA per week in November 2010
Phone calls	788
Written enquiries (inc. emails)	873

### Accommodation Expenses and the London Area Living Payment

#### Figure 2: Registration

- 476 MPs have registered with IPSA to claim Accommodation Expenses.

Table 2: Accommodation Registrations by Type (All MPs)<sup>21</sup>:

Type of Registration	Number of Registrations
Hotels	59 <sup>22</sup>
Rent + Associated Expenditure	37 (for constituency home) 269 (for London home)
Mortgage Interest	20 (for constituency home) 61 (for London home)
Just Associated Expenditure	76 <sup>23</sup>
London Area Living Payment	57
<b>Total</b>	<b>579 registrations</b>

Figure 3: Shared Accommodation

- 11 MPs have registered to share accommodation:
  - 3 MPs have registered to share with 2 MPs
  - 8 MPs have registered to share with 1 other MP

<sup>21</sup> MPs may choose to change their accommodation status and may therefore register for more than one type of accommodation expense. For example, an MP may initially have registered for overnight accommodation in a hotel before renting a flat, and thereafter registered for rental payments.

<sup>22</sup> These 59 registrations reflect MPs who have chosen to claim overnight accommodation in hotels at some point, rather than claiming rent, mortgage, or associated expenditure. It is not comparable to the number of MPs which have entered claims for Interim Hotels, and such claims do not require an accommodation registration. The Interim category was designed for MPs who needed accommodation before they had found somewhere to occupy on a longer term basis.

<sup>23</sup> It is not possible to identify how many of these are for homes in the constituency and which ones are London homes.

Table 3: Accommodation Claims by Type (All MPs)

	Hotels		Interim Hotel <sup>24</sup>		Rent	Mortgage	Just Associated Expenditure
	London	Non-London	London	Non-London			
Number of MPs claiming	28	1	117	3	In London 186	In London 41	48
					In Constituency 32	In Constituency 16	
Average value of claim	£242.53	£72.67	£234.10	£222.77	In London £1,100.68	In London £694.06	Evidence not available
					In Constituency £525.46	In Constituency £706.91	
Value range of claims	£15.90- £1163.25	£49.50- £95.83	£7.00- £1,414.00	£70- £646.25	In London £12.58- £1,686.75	In London £24.66- £1,250.00	Evidence not available
					In Constituency £19.00- £875.00	In Constituency £210.85- £1,250.00	
Max amount claimable monthly inc. associated expenditure	£130	£105	£130	London: £1,450 + £208 =£1,658		£1,250 + £208 = £1,458	Up to £1,458
				Constituency:			
				Band A	£1254		
				Band B	£1138		
				Band C	£1022		
				Band D	£906		
Band E	£789						

## Dependants and Family Members

Table 4: Registration

Type of dependent/family member	No. of MPs Registered	No. of Dependants
Dependent child up to the age of five	42	59
Dependent child between five and 16	56	95
Dependent child between 16 and 21	5	5
Family member for which the MP is primary carer	1	1
Spouse or partner	47	47
<b>Total</b>	<b>151 MPs</b>	<b>207 Dependants</b>

<sup>24</sup> Some of the claims under the interim category should probably be in the ordinary hotel category, given that 57 MPs registered for hotel accommodation.

Table 5: Travel claims by Dependants, Family Members and Spouses

	Dependent child up to the age of five	Dependent child between five and 16	Dependent child between 16 and 21	Family member for which the MP is primary carer	Spouse or partner who shares caring duties with the MP
<b>Number of MPs claiming</b>	6	16	2	0	16
<b>Average value of Claims (£)</b>	54.55	33.23	76.23	0	71.08
<b>Average number of dependants per MP</b>	1.17	1.44	1	0	1
<b>Number of claims per dependant</b>	1-3	1-8	1-3	0	1-6
<b>Value range of claims (£)</b>	1.00-142	2.00-142	5.60-277.10	0	1.00-296.00
<b>Max claims allowable</b>	30	30	30	30	30

### Travel and Subsistence Claims

Figure 4: Overall claim number

- 33,058 claims were made for travel and subsistence between 7 May 2010 and 22 November 2010.

Table 6: MPs' and Staff Travel Claims

Travel type	No. of MPs claiming	No. of claims	Average claim (£)
Mileage	492	19,112	24.58
Air	78	767	211.67
Rail (total)	395	4473	71.09
Rail (first class)	159	1175	106.51
Rail (standard)	333	2707	65.03
Other public transport	94	450	27.40
Hire cars	11	44	117.65
Taxis <sup>25</sup>	154	937	15.02
Travel for staff members	348	3147	30.95

Table 7: MPs' Late Sitting Travel and Subsistence Claims

Claim type	No. of MPs claiming	No. of claims	Average claim (£)
Hotel	7	10	112.86
Food and Drink <sup>26</sup>	168	1300	10.05
Taxi	87	256	18.94

<sup>25</sup> This does not include taxis following a late night sitting at the House of Commons. See Table 7 for those figures.

<sup>26</sup> This figure includes food and (non-alcoholic) drink claims by MPs both when the House of Commons is sitting late and when the MP is necessarily away from a residence overnight.

## Staffing Expenditure

Table 8: Information from the IPSA Payroll

Geographical region	Average no. of staff <sup>27</sup>	Average annual salary cost (£)	Average annual staffing cost (£) <sup>28</sup>
Nationwide	4.2	83999.70	103151.63
London Area	4	83951.14	103091.99
Outside London Area	4.3	82080.58	100794.95

Table 9: Other Staffing Expenditure

Claim type	No. of MPs claiming	No. of claims	Average claim (£)
Bought-in services	95	303	1199.37
Pooled services	182	199	3199.22
Intern incidental expenses <sup>29</sup>	38	943	9.98

## Office Costs

Figure 5: Registration and Total claims

- 582 MPs have registered constituency offices with IPSA.
- A total of 4642 claims have been made under this budget, and £1,691,666.53 paid out by IPSA.

Table 10: Claims from the Constituency Office Rental Expenditure Budget

Claim type	No. of MPs claiming	No. of claims	Average claim (£)
Office rent (all)	395	1370	808.67
Office rent (London Area)	49	173	971.18
Office rent (outside London Area)	346	1197	868.73
Business rates	178	443	349.75
Utilities	191	700	95.09
Telephone and Internet	295	1297	98.22

<sup>27</sup> This figure is based on actual staff numbers, not the full time equivalent.

<sup>28</sup> This figure is calculated on the basis of adding 10% pension contributions and 12.8% Employer's National Insurance Contribution.

<sup>29</sup> Claims for intern expenses may be for reasonable travel and food, and non-alcoholic beverages.

Table 11: Claims from the General Administrative Expenditure<sup>30</sup> Budget

No. of MPs claiming	No. of claims	Average claim (£)	Total spend on GAE (£)
628	15679	126.95	1,990,417.54

Table 12: Sample Breakdown of Claims from the General Administrative Expenditure Budget

Claim type	No. of MPs claiming	No. of claims	Average claim (£)
Advertising	183	644	158.32
Computer Hardware	165	311	218.34
Hospitality	79	297	14.56
Office equipment <sup>31</sup> hire	301	1236	119.84
Office equipment <sup>32</sup> purchase	317	851	253.38
Phone and mobile payments	453	2531	72.97
Professional Services	274	715	319.39
Stationery	586	4129	102.06
Website design, production and hosting	121	252	310.97

### Contingency claims

Table 13: Types of Claim<sup>33</sup>

Claim type <sup>34</sup>	No. of MPs claiming	No. of claims	Aggregate claims (£)	Average claim (£)
Staffing Expenditure	28	28	316312.36	11296.87
CORE	23	23	99537.79	4327.73
GAE	10	10	41773.20	4177.32
Hotels <sup>35</sup>	5	55	7889.75	143.45
Other	41	96	35191.68	366.58

<sup>30</sup> This budget covers a wide range of administrative costs, falling into the following categories: office equipment, the procurement of services and communication costs. The wide range of expenditure that can be claimed from this budget means that the average claim figure may not be representative of actual claims.

<sup>31</sup> Including computers, fax machines, furniture, photocopiers, printers, scanners, shredders and phones.

<sup>32</sup> Including computers, fax machines, furniture, photocopiers, printers, scanners, shredders and phones.

<sup>33</sup> The contingency fund is available for expenditure necessarily incurred by an MP in the performance of their parliamentary functions that is not covered elsewhere in the Expenses Scheme, or that will exceed one of the budget caps set out in the Scheme.

<sup>34</sup> These figures cover May to November inclusive. Contingency payments for Staffing Expenditure, CORE and GAE have been by way of uplifts provided to MPs' budgets following a successful application process. Part 12 of the Expenses Scheme gives further information.

<sup>35</sup> If the House of Commons does not sit beyond 11 pm but sits so late that the public transport available means a London Area MP cannot return home at a reasonable time, then an MP can claim the cost of a hotel. This is subject to an upper limit of £130. Claims may cover more than one night.

## ANNEX B: STAFFING EXPENDITURE CALCULATION

1. The new staffing expenditure budget is based on a calculation of all the costs associated with the employment of 3.5 full time equivalent staff members in a typical office setup. The figure of 3.5 members of staff originated in the *Review Body on Senior Salaries: Review of Parliamentary Pay, Pensions and Allowances 2007*, this being the most recent occasion this issue was reviewed, and being the basis of the figure adopted by the House of Commons in the last Green Book.
2. The report recommended that the Staffing Expenditure ceiling – that was based on each MP having three members of staff – be increased to allow MPs to employ up to 3.5 full-time (or equivalent) members of staff. This was adopted by the House and formed the basis of their calculations for the staffing expenditure allowance.
3. IPSA also adopted this recommendation by the SSRB, continuing the formulation used by the House. The staffing budget set out in the IPSA Scheme of £109,548 includes the salary costs, and employer contributions to National Insurance and pensions, of:
  - a. One caseworker.
  - b. One researcher.
  - c. One senior researcher/parliamentary assistant.
  - d. Half a junior secretary.
4. Once the staffing levels were agreed the House figures were used to develop pay ranges for each of them, based on the pay ranges for 2008-09, which was the most up to date data available.
5. These were uplifted by 2.9%<sup>36</sup> to obtain figures for 2009-10. Taking the mid-point of each pay grade, the 2009-10 costs were then uplifted by 1.4%<sup>37</sup> to obtain the pay grade for 2010-11.
6. This gave the following figures:

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<sup>36</sup> 2.9% is the ONS Public Sector Wage Inflation rate for 2009-10.

<sup>37</sup> This figure of 1.4% was taken from the House of Commons pay increases for 2010-2011, brought in by the House to cover the period from 1 April 2010 to 6 May 2010 when they continued to pay staff salaries.



	Pay Ranges FY 2009-10				FY 2010-11	Cost per MP (£)	Total Cost £m
	From (£)	To (£)	Average (£)	Avg Salary (£)Uplifted for Pay Increase	Full-Time Equivalent		
<b>Caseworker</b>	14,054	26,102	20,078	20,359	1.0	20,359	
<b>Senior Caseworker</b>	18,071	30,786	24,429	24,770		-	
<b>Junior Secretary</b>	14,724	26,102	20,413	20,699	0.5	10,349	
<b>Senior Secretary</b>	18,071	31,456	24,764	25,110		-	
<b>Office Manager/ Executive Secretary</b>	22,088	41,494	31,791	32,236		-	
<b>Researcher/ Parliamentary Assistants</b>	14,724	35,473	25,099	25,450	1.0	25,450	
<b>Senior Researcher/ Parliamentary Assistants</b>	28,780	41,494	35,137	35,629	1.0	35,629	
<b>Total Salary Costs</b>					<b>3.5 FTE</b>	<b>91,787</b>	
<b>National Insurance (FY 2009-09 average 9.35% of salary)</b>						8,582	5.6
<b>Salary + National Insurance</b>						<b>100,369</b>	<b>65.2</b>
<b>Pension (10% of Salary)</b>						9,179	6.0
<b>TOTAL STAFFING COSTS</b>						<b>109,548</b>	<b>71.2</b>

## ANNEX C: PUBLIC OPINION

All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 2599 adults. Fieldwork was undertaken between 25 and 29 November 2010. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+).

**Have you heard of the Independent Parliamentary Standards Authority?**

<b>Unweighted Base</b>	2599
<b>Base: All GB Adults</b>	2599
Yes, I have	38%
No, I have not	57%
Don't know	5%

**To what extent do you agree or disagree with each of the following statements? (Please tick one option on each row)**

**The new independent regulator for MPs' expenses will make sure MPs are only paid legitimate expenses**

<b>Unweighted Base</b>	2599
<b>Base: All GB Adults</b>	2599
Strongly agree	25%
Tend to agree	34%
Neither agree nor disagree	16%
Tend to disagree	10%
Strongly disagree	3%
Don't know	12%

**The money it costs to monitor MPs' expenses claims is worth spending**

<b>Unweighted Base</b>	2599
<b>Base: All GB Adults</b>	2599
Strongly agree	20%
Tend to agree	43%
Neither agree nor disagree	18%
Tend to disagree	7%
Strongly disagree	4%
Don't know	8%

**MPs should be able to decide what they spend their office budgets on, rather than having to abide by strict rules**

<b>Unweighted Base</b>	2599
<b>Base: All GB Adults</b>	2599
Strongly agree	3%
Tend to agree	11%
Neither agree nor disagree	13%
Tend to disagree	30%
Strongly disagree	36%
Don't know	6%

**MPs should have to stick to a budget when running their office even if that reduces the services they can offer to constituents**

<b>Unweighted Base</b>	2599
<b>Base: All GB Adults</b>	2599
Strongly agree	30%
Tend to agree	42%
Neither agree nor disagree	14%
Tend to disagree	6%
Strongly disagree	1%
Don't know	6%

**Imagine that you saw an article about MPs' expenses. How likely or unlikely would you be to read it?**

<b>Unweighted Base</b>	2599
<b>Base: All GB Adults</b>	2599
Definitely read it	23%
Probably read it	50%
Probably not read	17%
Definitely not read it	5%
Don't know	5%

Generally, to what extent, if at all, do you trust each of the following? (Please tick one option on each row)

MPs only to claim for legitimate expenses (i.e. expenses that can be claimed under the guidelines of existing legislation)

<b>Unweighted Base</b>	2599
<b>Base: All GB Adults</b>	2599
A great deal	7%
To some extent	23%
Not very much	35%
Not at all	28%
Don't know	6%

That the MP's expenses system will ensure that MPs only receive reimbursement for legitimate expenses

<b>Unweighted Base</b>	2599
<b>Base: All GB Adults</b>	2599
A great deal	9%
To some extent	37%
Not very much	30%
Not at all	15%
Don't know	8%

Currently most MPs outside London have two places to live, one in their constituency and one in London. They can claim certain expenses for one of these properties...

Do you believe MPs should be allowed to claim additional expenses for extra space for any children they have?

<b>Unweighted Base</b>	2599
<b>Base: All GB Adults</b>	2599
Yes, for children aged up to 5	5%
Yes, for children aged up to 16	14%
Yes, for children up to 18	8%
Yes, for children of any age	2%
No, not for any space for their children	65%
Don't know	7%

Generally speaking, do you think MPs should or should not be able to claim expenses for each of the following? (Please tick one option on each row)

A hotel if they work so late they cannot get home before midnight

<b>Unweighted Base</b>	2599
<b>Base: All GB Adults</b>	2599
Should	52%
Should not	40%
Don't know	8%

First class domestic travel

<b>Unweighted Base</b>	2599
<b>Base: All GB Adults</b>	2599
Should	7%
Should not	89%
Don't know	4%

Newsletters to constituents

<b>Unweighted Base</b>	2599
<b>Base: All GB Adults</b>	2599
Should	54%
Should not	37%
Don't know	9%

A taxi if that is the best way MPs meeting their engagements, even if there is a cheaper alternative

<b>Unweighted Base</b>	2599
<b>Base: All GB Adults</b>	2599
Should	22%
Should not	70%
Don't know	8%

## ANNEX D: SUMMARY OF CONSULTATION QUESTIONS

- Q1. What are your views on the choice between having an Expenses Scheme based on prescriptive rules and a Scheme which relies much more on MPs taking greater personal responsibility for their claims, within a framework of general principles? Both are supported by transparency through publication.
- Q2. What impact do you believe the MPs' Expenses Scheme and the specific issues within this consultation may have on equality and diversity within the House of Commons?
- Q3. Do you think the current definition of caring responsibilities is right, or should it be changed? Should it, for example, be extended to include all children in full time education between the ages of 5 and 21? (Any such extension would mean that MPs could claim accommodation expenses for those children.)
- Q4. Do you have any views on how the regional bandings for accommodation costs have worked and how they might be improved?
- Q5. Should the rules on claiming travel costs for family members be changed? In particular, should MPs be able to claim for spouses or partners' travel costs when they are travelling between the MP's London Area residence and constituency residence: (a) with dependent children aged between 5 and 16 years; (b) with the MP only; or (c) on their own when visiting the MP?
- Q6. Should IPSA change the definition of the London Area in order to bring the position of the "outer" London MPs back into a financial equilibrium in comparison with the position before the 2010 general election? If so how should that be done? Should it be for example, by altering the duration or distance of the commute used to calculate the boundary of the London Area, or the times of day which are used to calculate the duration? Or should a simple, well-established geographical area be used for the definition. If so, which?
- Q7. Do you think there should be changes to the budgets for MPs staff? If so, what should they be?
- Q8. Do you think the budget limits for CORE should be changed? If so, how? Is there merit in introducing a more varied form of regional banding than the current two tier approach?
- Q9. Should there be any changes to the approach taken to, or level of, the GAE budget?
- Q10. Should there be a separate start up budget for new MPs?
- Q11. Should the CORE and GAE budgets be merged? What should the overall budget be?
- Q12. Should there be a change to the 90 day rule for making claims? If so what would be the best alternative?
- Q13. Should MPs be able to delegate authority to submit claims to their proxies?
- Q14. Should MPs be able to redact any information on the evidence provided to support a claim? If so, should the type of evidence where this is permitted be limited to a specified list of items?

*Q15. Should error by the MP be a criterion for allowing a review of a claim that has been determined as “not paid” by IPSA?*

*Q16. Are there any other rules in Parts 2 and 3 of the Scheme which should be reconsidered?*

*Q17. Are there any issues concerning the general conditions of the Scheme that IPSA should address? Are there any current issues regarding the employment of connected parties?*

*Q18. Do you agree that the rules on associated expenditure should remain as they are except for a clarification on the types of expenses which are, and are not, claimable?*

*Q19. What are your views on the rules governing MPs who share accommodation? Is the two-thirds rule acting as a disincentive to sharing?*

*Q20. Is the £130 cap on hotel costs in London too restrictive?*

*Q21. IPSA does not expect to change the rules on mortgage interest and recoupment of capital gains. Do you think that it should be changed? If so how? What do you think the impact of any change would be on public confidence?*

*Q22. Are there any changes required to the operation of the London Area Living Payment?*

*Q23. For avoidance of doubt, should the rules in paragraph 7.3 of the Scheme be amended explicitly to exclude the daily commute from reimbursable expenses?*

*Q24. Should rule 7.3(b), which excludes claims for travel between MPs’ constituency homes and constituency office be removed, on the grounds that the journey does not represent a daily commute and creates unnecessary bureaucracy?*

*Q25. Should the rule on extended travel (paragraph 7.2 (d)) of the Scheme be expanded to take in some of the guidance in order to make it clearer? Or is it better to allow scope for MPs to exercise responsibility for what they claim?*

*Q26. Should IPSA, subject to the availability of funding, reimburse extended travel claims made by MPs on select committee or opposition front bench business?*

*Q27. Do you agree that individual cases which are just outside the rules should continue to be dealt with by the exercise of discretion or through contingency? Should there be a rule which explicitly allows for this in respect of travel claims?*

*Q28. Do you agree that value for money should remain the central criterion for public transport claims, and that first class travel should only be allowed if its cost falls below the relevant measures of value for money for each type of public transport?*

*Q29. In relation to claims for the use of taxis, should IPSA have more description in the rules of what is reasonable; or should it relax the rules and rely on MPs taking responsibility for what it is reasonable to claim? Or should the rules remain as they are?*

*Q30. Should the 24 single journeys rule for MP's staff travel be changed? If so how?*

*Q31. Should any changes be made to the rules on travel and subsistence for late sittings of Parliament? Should any late working be eligible for a subsistence claim?*

*Q32. Should the requirement in paragraph 8.5 of the Scheme that IPSA needs to approve all new staff contracts be replaced simply by a requirement for MPs to comply with model contract, job description and pay ranges? IPSA would then audit a sample of contracts.*

*Q33. Should the requirement, also in paragraph 8.5, for notification of exceptions to the model pay ranges be removed?*

*Q34. Are there any further changes needed to the rules on payment of interns. Should a rule be introduced for apprenticeships?*

*Q35. For avoidance of doubt, should payment of cover for maternity, paternity and adoptive leave be separately identified from contingency arrangements in Part 12 of the Scheme?*

*Q36. Should IPSA alter its policy on publication of MPs staff salaries so that only the overall expenditure for each MP, along with any connected parties' salary ranges, is published annually?*

*Q37. Do you have any comments on possible changes to how we treat buildings insurance, accountancy services and office removal costs?*

*Q38. Are there any other issues of detail, which would not be resolved by the merger of CORE and GAE, which you wish to raise?*

*Q39. Do you have any comments on the winding up expenses rules?*

*Q40. Do you agree that any one-off payments to MPs on leaving Parliament should be a matter for consideration when IPSA conducts a review of MPs pay and pensions in 2011-12? Should there be any interim arrangements? If so, how should the payments be calculated?*

*Q41. Do you have any views on what approach IPSA should take to office equipment paid for from the public purpose when an MP leaves Parliament?*

*Q42. Are there any aspects of the arrangements for disability assistance, security assistance, insurance, contingency and financial assistance that you think could be improved?*

*Q43. Do you agree that IPSA should introduce a rule which allows MPs to claim for the cost of taking out legal expenses insurance?*

*Q44. Are there any other aspects of the Scheme that you would like to comment on, or suggest changes to?*