

BOARD PAPER	
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Agenda item:	

OFFICIAL – SENSITIVE

DATE: 13 September 2022

SUBJECT: Constituency boundary changes – Policy and Scheme Revisions

PURPOSE: For decision

ANNEXES: None

Issue

1. In June 2022, the Board were invited to share their initial views on the potential impacts of changes to parliamentary constituency boundaries, particularly with regard to MPs’ eligibility for payments upon losing office. This paper builds on that discussion and proposes options to be tested through consultation.

Brief background

Constituency boundary review

2. In accordance with the Parliamentary Constituencies Act 2020 and the Parliamentary Voting System and Constituencies Act 2011, the Boundary Commissions for England, Scotland, Northern Ireland and Wales have reviewed parliamentary constituency boundaries and have all now completed their final consultations. The formal report will go to the Speaker before 1 July 2023, and recommended changes to constituencies set out in the Order of Council will be implemented for the next General Election after the date on which the legislation is approved.
3. Following statutory rules regarding the electoral quota and geographical size, 645 constituencies have been reviewed. The remaining five are ‘protected’ and are exempt from the statutory requirement. The nature of the changes will vary as each Commission looks to carve out the boundaries in line with the statutory formula, but these include:
 - Remaining wholly unchanged or a change of name only;
 - Minor changes to align constituency boundaries with new local government ward boundaries;
 - Major changes such as existing constituencies being merged and renamed, significant expansion or contraction of existing boundaries and constituencies which will cross county council or unitary authority boundaries.

Impact on eligibility for LOOP and winding-up payments

4. Changes to constituency boundaries will have an impact on MPs and potentially on whether they choose to, or are able to, stand for re-election at the next General Election. We have received some correspondence from MPs asking for clarity on how IPSA will treat MPs’ eligibility for payments

upon losing office at the next election, given these changes to constituency boundaries, as well as the repeal of the Fixed Term Parliaments Act.

5. The Scheme provides for a loss of office payment (LOOP) intended as a quasi-redundancy payment for MPs who lose their seats at an election. The current Scheme wording is specific about eligibility, in that an MP must have been *'an MP on the day before the dissolution of Parliament and a candidate for re-election for the same seat, but not re-elected'*. Consideration is therefore required for cases where MPs choose not to stand, or are unable to stand, following the boundary changes, or those that choose to stand but cannot be said to stand in the 'same seat', because of significant changes.
6. The Scheme also provides for a winding-up payment for MPs who lose their seats and those who stand down in the event of a snap election, defined as *'a general election which occurs before the end of a fixed parliamentary term.'* This also requires review following the repeal of the Fixed Term Parliaments Act 2011.
7. The Scheme further specifies that payment of LOOP can only be made following the completion of key activities generally occurring at the end of the winding up period.

Resettlement payments

8. Up to the 2015 election, MPs leaving Parliament received a 'resettlement payment' of one month's salary for each year of service, up to a maximum of six months. As part of the 2015 pay decisions, IPSA introduced the LOOP arrangements, in response to public concern about the relative generosity of resettlement payments and to align more closely with redundancy arrangements in other walks of life, including restricting eligibility to MPs who lose their seat. Although IPSA added a further winding-up payment in 2018 to provide additional financial support to MPs who lose their seat or stand down at a snap election, a small number of pre-2015 MPs have continued to argue that the payments made upon leaving office should be more generous.
9. In their discussion at the June 2022 meeting, the Board did not favour consideration of returning to the old 'resettlement payment' arrangements. They noted the importance of considering the redundancy provisions which would ordinarily apply to most individuals, such as MPs' constituents, and the general treatment of individuals who voluntarily choose to step down from their role. However they expressed a desire to consider the broader package of issues and encouraged exploration of additional practical, non-financial measures that could be sensitively employed to support MPs who lose their seats through a difficult period.
10. At the Administration Committee in July, some members expressed concern about the amounts payable as LOOP, which they considered too low, as well as the practice of requiring former MPs to have completed all winding up actions and repaid outstanding amounts owed before receiving their LOOP. We committed to raising these issues with the Board.

Recommendations

11. Board members are asked to confirm their position on the rule that, in general, LOOP should only be payable to MPs who lose their seats at an election, and not to those who stand down voluntarily. This has been the case since IPSA's first review of MPs' remuneration, when the old 'resettlement payment' arrangements were scrapped and was a key part of the 2015 remuneration package. It also aligns with one of the Board's established guiding principles for decisions about

MPs' remuneration, which is that *'as far as is practicable MPs' remuneration and reward should reflect the experience of other working citizens'*.

12. That said, given that the next general election will be unique in that this will be the first election following the repeal of the Fixed Term Parliaments Act 2011 and also the first held with the new constituency boundaries, the Board are also asked to agree to hold a public consultation in Autumn 2022 on the following:

- a. We recommend that IPSA clarifies the rules and/or guidance to state that where the election takes place before the end of the 'fixed parliamentary term' (i.e. within five years from the previous election), MPs who stand down will receive the winding up payment. We believe this is consistent with the intention of the winding-up payment, which is to provide financial support where an MP has only short notice before an election takes place.
- b. In addition, we recommend that the Board agrees to consult on one or both of the options below:

Option 1: As it may be difficult to identify the exact reasons for choosing not to stand, or to distinguish between this and not having the option to stand, the winding up payment could be made automatically to all MPs who leave their seat and LOOP to all those who have completed 2 years continuous service. In other words, as a one-off, the normal eligibility rules would be suspended in recognition of the unique circumstances.

Option Two: We could set out an approach to reflect the Boundary Commissions' findings, in that eligibility for the winding up payment and LOOP could depend in part on whether there are 'major' or 'minor' changes to an individual MP's constituency as follows:

	Major change	Minor change
Standing down	Eligible	Not eligible
Standing same seat & lose	N/A	Eligible
Standing different seat & lose	Eligible	Not eligible

- c. We also recommend including in a consultation the proposal that IPSA will pay LOOP upfront to all eligible MPs at the end of the winding up period, rather than requiring all winding up actions to be completed first (which can take substantially longer in some cases). Known debts, such as for deposit loans, may be offset against the LOOP payable. IPSA would retain the ability to withhold payment in cases of exceptional risk, so as where there are very high amounts owed or other extenuating circumstances.
- d. Lastly, the Board is asked to consider whether to include a question in the consultation about whether the calculation of LOOP payments, which is double the statutory redundancy rate, remains appropriate.

Key arguments

Impact of boundary changes

13. Following the implementation of boundary changes, it is possible that some constituencies will cease to exist and therefore it will not be possible for MPs to stand for re-election in the 'same' seat in which they are the incumbent. There is also likely to be a question about the possible scenario of an MP either standing down, or not being selected to stand, as a result of their constituency changing significantly (even if it retains the same or a similar name). By the current Scheme wording, an MP in this position would not be eligible without having stood for the same seat; but there is an argument that they in effect did not have the option to stand, and therefore because they did not leave Parliament by choice, they are in a similar position to an MP who loses their seat.
14. One risk of not extending eligibility for LOOP and winding-up payments is that the rules could unintentionally create a situation where an incumbent MP feels forced to stand as an independent (for example) in order to be eligible for LOOP – meaning that in theory IPSA policy could be seen to have an effect on electoral outcomes. We have also considered the risk of impact on internal party affairs with regard to selection of candidates, but on the surface this appears less likely.
15. On the other hand, there would be a risk associated with applying different arrangements for the next election only and subsequently reverting to existing (less generous) rules. Again, an unintentional consequence may be that an MP may choose to stand down at this election in order to be eligible for LOOP, rather than at any other time when this payment may not apply.
16. The Board has already acknowledged that it would be a challenge to identify what represents a 'major' change to a constituency. At the moment there is no further information or data available from the Boundary Commission to determine the parameters for minor or major, but it is anticipated that their report will indicate the scope and nature of the changes. The proposal is that IPSA adopt the wording and publication as applied by the Boundary Commission. This may leave IPSA open to challenge, but will provide a consistent approach to the terminology of the overall changes.
17. We note that a decision to provide LOOP and winding-up payments to all MPs who leave Parliament at the next election, on the basis of the unique set of circumstances (i.e. **Option 1** above) may create an expectation that this will be the case at subsequent elections. If this is the selected option, we would propose clear messaging to avoid precedent-setting and to reserve IPSA's right to revert to the 'normal' arrangements in future.

Payment of LOOP

18. Moving to an arrangement where LOOP is paid to all eligible MPs at the same time, rather than upon completion of all winding up tasks, would mitigate any financial hardship experienced by MPs leaving Parliament. We are recommending that payment could be made at the end of the winding-up period, rather than at the start, as this would allow time to agree and implement deductions for known debts. Former MPs would receive a salary equivalent (the winding up payment) to cover two months, so this short delay should not create any hardship.
19. Earlier payment of LOOP removes the financial incentive for former MPs to wind up their affairs quickly, and so this is likely to impact on timeliness in some cases. In addition, because not all debts will be known until later in the process, only some (notably, deposit loans) can be confirmed at that

early stage and offset against LOOP payments. This leaves other debts and expected repayments potentially to be chased later on. This may be an acceptable trade-off for better financial support to MPs leaving Parliament.

Risk and opportunity assessment

20. There is inherent risk when consulting on this topic. We will be relying on information, data and calculations produced by the Boundary Commissions to set out the eligibility for winding up payments and LOOP. We will also be reliant on the final report articulating the changes in a compatible format, for example major, minor, change of name only, no changes. From initial enquiries it appears that this will be the case, but we should be mindful that this is not confirmed.
21. If IPSA were challenged on the methodology, we would not be able to justify how this was calculated except by referring to information published by the relevant Boundary Commission. On a positive note, this does mean that we are not accessing data nor making decisions about the cut off point for minor and major changes. This may mean that the policy can be implemented for all without significant additional resource to devise a framework.
22. More generally, we can expect that a public consultation of this aspect of MPs' remuneration will attract negative comment from some members of the public and potentially the media. However we do not believe it would be advisable to make a significant change in this area – particularly one which would be perceived as more generous to MPs – without transparency and the opportunity for public scrutiny. LOOP and winding-up payments are published and are the subject of FOI requests following elections, and IPSA may well be asked for its position once the Boundary Commissions' conclusions are published.
23. If the Board do not favour a public consultation in the autumn, at a time of particularly difficult economic circumstances, it would also be possible to delay this until 2023 once the outcome of the boundary review is known. There would be two risks associated with this approach: 1) that an election occurs soon after, before IPSA is able to conclude the consultation and make any necessary amendments to the Scheme; and 2) MPs will not have any early clarity on the arrangements well ahead of the next election.

Resource assessment – people and finance

24. It is not possible to provide an accurate estimation of costs until the details and impacts are known. After the 2019 election £830,000 was paid in LOOP and £1.29m was paid in winding up payments.
25. We are already aware of the intention of 17 MPs who are standing down at the next election. If we assume that all of these 17 MPs would receive both payments the LOOP is estimated at £508,000 and the winding up payments around £161,000. Total cost would depend on the 'turnover' of MPs at the election.

Customer assessment

26. Consultation and adoption of the changes into the Scheme will provide a transparent, consistent and formal approach and will bring clarity to when the winding up payments and LOOP will be made. This should assist MPs with forward planning once the Boundary Commission's reports are published.

ESG (Environmental, Social, and Governance) assessment

27. There is no specific impact on the ESG agenda, however clarity around the proposals will support customer satisfaction within the Social scope. It should also be noted that the LOOP increases according to the age of the MPs, as well as length of service. This is based on the prevailing statutory redundancy entitlements.

Operational and technological assessment

28. As above, upfront payment of LOOP could impact on the timeliness of winding-up actions and our ability to recover some amounts owed from former MPs; although we expect to be in a better position with respect to debt at the next election. The ability to deduct known and indisputable debts, such as deposit loans, before payment would be beneficial in this regard.
29. Bulk payment of LOOP, rather than payment via CHAPS at different times, would be simpler from an operational payroll perspective.

Political and legal assessment

30. The topic of constituency boundary changes can be politically fraught, however the requirement to review boundaries is within the remit of all four of the Boundary Commissions for which there are prescribed consultations, reviews and statutory requirements for all changes.
31. The payments made under LOOP and throughout the winding up process may attract negative publicity.

Communications assessment

32. The consultation will be published externally and results incorporated in to Scheme revisions planned for 2023-24. Any changes which are perceived as providing more generous payments to former MPs is likely to attract negative publicity and media but formally setting out the parameters of the winding up payments and LOOP in advance can assist with public confidence.

Post-implementation review

33. The consultation responses and subsequent proposed Scheme changes will be returned to the Board to be ratified in early 2023, with changes to come into effect in the 2023-24 Scheme.