

Assurance Review

General Election, 2015



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Independent Parliamentary Standards Authority

Contents

- Contents 1
- Table of Figures..... 2
- Key Facts..... 3
- Summary 4
- General Election Costs..... 8
- Dissolution Restrictions 14
- Campaign and Party Political Activity 19
- Winding-Up Costs..... 47
- Appendix A: Resettlement Arrangements 58
- Resettlement Arrangements..... 58
- Appendix B: Campaign Expenditure..... 60
- Campaign Expenditure..... 60
- Appendix C: Election Expenses 62
- Election Expenses 62
- Appendix D: Winding-Up Budget Modelling 64
- Winding-Up Budget Modelling..... 64

Table of Figures

General Election Costs.....	4
Figure 1 – MPs’ aggregate General Election specific expenditure	9
Figure 2 – MPs’ aggregate General Election expenditure compared to 2015-16 Estimate.....	10
Figure 3 – Comparison of nominal and real-terms resettlement costs at General Elections, 2001-2015.....	12
Figure 4 – Resettlement entitlements under alternative schemes for MPs who left office on 8 May 2015.....	13
Dissolution Restrictions	14
Figure 5 – Total expenditure on capital equipment, May 2014 – April 2015.....	16
Figure 6 – Compliance level in restricted categories, 31 March 2015 – 7 May 2015	17
Campaign and Party Political Activity.....	19
Figure 7 – Total expenditure by MP compared to size of majority at previous election, 2014-15.....	25
Figure 8 – Proportion of MPs’ claims refused compared to size of majority at previous election, 2014-15.....	26
Figure 9 – Risk areas for office costs broken down by period.....	27
Figure 10 – Campaign repayments for office costs broken down by category	28
Figure 11 – Approximate accommodation costs broken down by type, 31 March 2015 – 7 May 2015.....	30
Figure 12 – Expenditure trends for equipment hire, facilities costs and telephone costs, April 2013 to May 2015	35
Figure 13 – Expenditure trends for venue and hospitality costs, and within constituency travel, April 2013 to May 2015	36
Figure 14 – Expenditure trends for advertising costs and printing, postage and stationery costs, April 2013 to May 2015.....	37
Figure 15 – MPs’ expenditure on within constituency travel during the Long and Short Campaign periods	41
Figure 16 – MPs’ expenditure on staffs within constituency travel during the Long and Short Campaign periods.....	42
Winding-Up Costs.....	47
Figure 17 – Winding-Up costs by category, 2015-16.....	48
Figure 18 – Winding-Up costs broken down by type, 2015-16	48
Figure 19 – Distribution of Winding-Up budget expenditure by MP status.....	50
Figure 20 – Winding-Up budget expenditure by MP status data	50
Figure 21 – Winding-Up actual expenditure against 2015-16 Estimate.....	52
Figure 22 – Staff receiving redundancy with a break in service of less than 10 weeks.....	54

Key Facts

£13.2 million

additional expenditure by MPs
due to the General Election

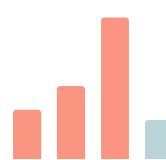
28%

turnover of MPs as a result
of the General Election



39%

election-specific expenditure by
MPs as a proportion of 2015-16
Estimate



£5.3 million

saving for the taxpayer due to
changes to MPs' Resettlement
entitlements



~£500,000

total start-up costs for 182 newly
elected MPs



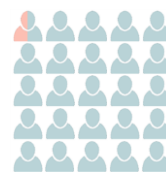
£10.4 million

total winding-up costs, including
staff redundancies, for 182
former MPs



£26,600

depreciated value at election of
equipment bought by departing
MPs from September 2014 for
which they can retain ownership



1 in 62

proportion of all MPs' staff who
took unpaid leave to campaign
for some or all of dissolution



£975,000

total value of redundancy
payments to staff made
redundant and re-employed
within 10 weeks by another MP



At least 58%

proportion of *Payments in Lieu
of Notice* required because
notice was not issued promptly
to staff by MPs

Summary

1. The purpose of this report is to provide a summary and review of the costs incurred by MPs in fulfilling their parliamentary duties and assess the level of compliance with the rules governing MPs' expenditure in relation to the General Election on 7 May 2015.

Key Findings

Findings on overall General Election costs:

2. **The overall additional cost of MPs' expenditure at the General Election was £13.2m.** This consists of additional budget amounts being made available to some MPs between 1 April and 7 May 2015, the Winding-Up budget for MPs who stood down or were defeated, resettlement payments for MPs who were defeated and the Start-Up budgets for new MPs.
3. MPs' spending in relation to the General Election was substantially lower than forecast, equating to only 39.1% of the amount budgeted for in the 2015-16 Estimate.¹ This reflects positively on those MPs who only incurred costs where necessary and spent only a small proportion of the funds available to them. This was also due to the turnover in the number of MPs falling at the lower end of our projections. It does, however, suggest that IPSA's budgeting assumptions may need to be revised for future General Elections.
4. **The change in resettlement arrangements for MPs provided a saving of £5.3m to the taxpayer.** The total cost of resettlement payments for MPs departing Parliament at the General Election was £2.8m, with an average payment of £30,600. Had resettlement been paid under the terms of the Resettlement Grants given to MPs at previous General Elections, the MPs departing at the General Election would have been entitled to £8.1m.
5. Given the availability of the Start-Up Expenditure budget to newly elected MPs until 7 May 2016, it is not yet possible to establish the level and pattern of expenditure. The report will be updated to include these figures in September 2016.

Findings on compliance with dissolution restrictions:

6. 46.6% of claims for MP and dependant travel between London and constituencies during dissolution were not compliant with the dissolution restrictions. Ineligible claims amounted to £5,400 in value, which were all approved and paid. Take-up of these provisions was low, with only 10% of MPs making use of them, claiming just over £12,000.

¹ This will be revised when final figures for new MPs' Start-Up costs are available. This is due in September 2016.

7. Restrictions on equipment purchases beginning six months prior to the dissolution of Parliament reduced capital spending by 84.3%. This is based on the reduction in average monthly spend in the restricted months compared to the unrestricted months across a twelve month period. However, there was a fourfold increase in the value of equipment purchases in the month before the restrictions came into effect.
8. Capital items purchased from September 2014 by MPs who left Parliament at the election had a value of £26,600 after depreciation. MPs are advised to pass these items onto their successor, give the items to charity or reimburse IPSA for any profit made from selling the items; however, they ultimately remain the personal property of the MP.

Findings on political activity and campaigning:

9. There is no evidence of widespread misuse of the *MPs' Scheme of Business Costs and Expenses* for the purposes of campaigning at the General Election. Detailed analysis and review of expenditure prior to the Election found that for more than 95% of MPs there was no indication of claims for campaign expenditure. Ineligible claims identified were not systemic and related to only a small minority of MPs.
10. Four cases relating to possible, significant breaches of the *Scheme* and electoral regulation have been identified and require further investigation. A further two cases were identified relating to MPs who had already been referred to the Compliance Officer for related claims and the relevant information has been passed to his office.
11. **Just over £6,000 of ineligible claims were identified.** These consisted predominantly of claims for newsletters and party political communications to constituents that are not permissible under the *Scheme*. This does not include any that are subject to further investigation as outlined above.
12. **The lack of available evidence in some areas of spending means that measures of assurance are limited.** Particularly regarding the use of staff time, office space and office equipment and stationery, the difficulty of accessing information has a limiting effect on how we can regulate these areas. However, this has been possible where other factors can provide a sound indication of activity, as in two of the four cases identified for further investigation.

Findings on Winding-Up costs:

13. The process of closing down offices and finalising parliamentary affairs by MPs who stood down or were defeated at the General Election cost £10.4m. This breaks down as £5.8m for office, travel and staffing costs from the capped Winding-Up budget, £4.4m for staff redundancies and £0.2m for rental accommodation from the uncapped Miscellaneous budget, and £34,000 in other costs.
14. **Departing MPs only spent on average 58.7% of their Winding-Up Expenditure budget.** This suggests both that the majority of MPs only made use of funds that were strictly necessary and that the budget limits are greater than required.

15. **Winding-Up costs were 45.5% lower than budgeted for under Subhead A of IPSA's 2015-16 Estimate.** This was due both to the turnover in the number of MPs falling at the lower end of our projections and a number of budgeting assumptions that did not match what occurred in practice. These lessons will be learned for the 2020 General Election.
16. **£975,000 was paid in tax-free redundancy payments to 125 staff members with a break in employment of less than 10 weeks.** In each case the staff member was made redundant as a result of their employer standing down or losing their seat at the election and entered into a new employment with a different MP within two months of their prior employment ending. This amounts to 22.2% of all redundancy payments made. In 60.3% of these cases there was no break in employment at all.
17. £647,700 was paid as Pay in Lieu of Notice (PILON) to 289 staff members; however, between £379,800 and £435,200 could, potentially, have been avoidable if the MPs had issued notice earlier. In each case the staff member was paid for not working some or all of their notice period even though the MP had sufficient time to issue notice prior to their leave date. This amounts to between 58.6% and 67.2% of all PILON paid by departing MPs.
18. Allowing MPs to set notice periods for their staff of up to 12 weeks cost £117,500 in PILON paid in excess of statutory requirements. Prior to the election, MPs could set notice periods of between 4 and 12 weeks regardless of length of service or position, and some staff on House of Commons' contracts had notice periods of 13 weeks. The statutory minimum notice period for redundancy is between 1 and 12 weeks depending on the number of years' continuous service.
19. **£743,200 was paid to 651 staff members for untaken holiday.** The average payment was £1,100, with individual payments as high as £5,500. This equates to approximately 8,600 days of untaken holiday entitlement, an average of 13 days per staff member.

Conclusions

20. The overall additional cost of the General Election was lower than expected, both as a result of lower than projected turnover of MPs and due to the majority of MPs using only the proportion of capped budgets they required and achieving significant underspends. The changes to the terms of MPs' resettlement payments provided a considerable saving for the taxpayer, equating to a 30% reduction in the total for all election-specific costs, while ensuring that MPs who lost their seats and faced the equivalent of a redundancy situation were fairly compensated.
21. However, there are several areas where further savings could be made and where the potential for personal benefit (intentional or otherwise) could be restricted to provide better value-for-money. In addition, the use of historical data for forecasting expenditure at future General Elections will help to create a more realistic picture of expected costs and allow for a more accurate budget Estimate.
22. Reinforcement of the fact that responsibility for complying with IPSA's regulations rests with the individual MP, supported by frequent guidance, helped in preventing public funds being used illegitimately for campaigning by creating a clear sense of accountability. However, it is evident

from the reviews of MPs' compliance with the rules relating to dissolution and campaigning that this must be supported by a robust framework of regulatory review.

23. It is clear, nevertheless, that the vast majority of MPs met their financial obligations and acted with probity and integrity in their use of public money during the election period. While there are some concerns, these relate only to a small minority. For the most part MPs and their staff behaved appropriately and some took proactive steps to ensure that they adhered to the letter and the spirit of the rules.
24. The rules governing the Winding-Up process and the way in which the process was operated require further development. This is the single largest area of election-specific spending, accounting for almost 80% of the total cost, and must be regulated accordingly. In a number of instances, IPSA staff made pragmatic decisions that did not give sufficient consideration to providing value-for-money or which have resulted in unforeseen consequences. A number of avoidable errors were made, which resulted in a financial cost to the taxpayer.
25. Departing MPs were on the whole reserved in how they spent the money available to them. Most claimed significantly less than the maximum budget limit. However, their status as the employer of their staff could have enabled them to confer financial advantage on their former employees, some of whom were connected parties, in a manner that is not reflective of conditions in the wider public sector or employment best practice. These are issues that we should seek to address.
26. The issues raised in this Assurance Review will be considered in the consultation to be published in May 2016.

General Election Costs

27. The large scale turnover in the membership of Parliament at a General Election necessarily means increased costs for those leaving Parliament and those newly elected to Parliament.
28. The categories of expenditure considered to be a direct consequence of the General Election are as follows:
- all costs met from the Winding-Up budget for MPs who left Parliament;
 - staff redundancy costs met from the Miscellaneous budget for MPs who left Parliament;
 - accommodation costs met from the Miscellaneous budget for MPs who left Parliament;
 - contingency costs met from the Miscellaneous budget for MPs who left Parliament;
 - Resettlement Payments made to MPs who were defeated; and
 - all costs met from the Start-Up budget for new MPs.
29. Additionally, MPs who stood down or were defeated at the General Election on 7 May 2015 received the equivalent of three months' budget to cover the period of one month and one week between the beginning of the financial year, 1 April 2015, and polling day, 7 May 2015. Any costs incurred by these MPs within the allocated budgets but in excess of the pro-rated equivalent for this period are additional costs resulting from the General Election.

Aggregate Expenditure

30. The total additional expenditure resulting from the General Election was £13,283,300 (excluding Start-Up costs which are still available to be claimed). This consisted of:
- £2,755,000 for Resettlement Payments to MPs who were defeated at the election;
 - £131,900 for additional expenditure within the standard capped budgets, as described at paragraph 29;
 - £10,396,400 for the cost of Winding-Up (including accommodation, staff redundancies and miscellaneous costs);
 - £490,800 for the cost of Start-Up as at 1 December 2015²
31. These costs are summarised at **Figure 1**.

² The full cost is yet to be determined as the budget remains available to new MPs until 7 May 2016.

Figure 1 – MPs' aggregate General Election specific expenditure

	Stood Down MPs	Defeated MPs	New MPs	TOTAL
Winding-Up Budget	£2,340,200	£3,426,000	-	£5,766,200
Winding-Up Staff Redundancy	£2,570,200	£1,827,200	-	£4,397,400
Winding-Up Accommodation Rental	£54,000	£144,500	-	£198,500
Winding-Up Other	£17,000	£17,000	-	£34,000
Resettlement Costs	-	£2,755,000	-	£2,755,000
Start-Up Budget	-	-	TBD	TBD
Additional Expenditure within Capped Budgets	£60,400	£71,500	-	£131,900

Comparison with 2015-16 Estimate:

32. **Figure 2** sets out the budgeted General Election specific costs in IPSA's 2015-16 Estimate and the actual expenditure in these categories by MPs. These are broken down according to the headings in the Estimate. The Estimate included all costs for departing MPs in 2015-16 as General Election costs.
33. The Estimate included all expenditure in 2015-16 within the standard budgets (Office Costs Expenditure, Accommodation, Staffing and Travel & Subsistence) by MPs who stood down or were defeated as General Election specific costs. These are therefore included in the comparison.
34. The actual expenditure by MPs was 60.1% lower than the £34,045,600 that was budgeted for in IPSA's 2015-16 Estimate. The reasons for this difference in relation to Start-Up and Winding-Up costs are explored in more detail in the relevant sections below; however, the key underlying factor is the lower than estimated turnover in the number of MPs and budgeting on the assumption that the majority of MPs would use their entire available budget.

Figure 2 – MPs' aggregate General Election expenditure compared to 2015-16 Estimate

Category	Expenditure	2015-16 Estimate	Difference
Winding-Up Budget	£5,766,200	£13,352,800	-56.8%
Winding- Up Staff Redundancy ³	£2,046,400	£3,422,700	-40.2%
Winding-Up Accommodation Rental	£198,500	£843,200	-76.5%
Resettlement Costs	£2,755,000	£5,029,500	-45.2%
Start-Up Budget	TBD	£1,470,000	TBD
Part Year Capped Budgets (OCE, Accommodation & Staffing) ⁴	£2,489,900	£8,493,000	-70.7%
Part Year Uncapped Budgets (Travel & Subsistence)	£41,200	£1,434,400	-97.1%
Total	£13,297,200	£34,045,600	-60.9%

Further analysis:

35. A review of Resettlement and Start-Up costs can be found in the subsections below.
36. Further analysis of Dissolution and Winding-Up costs are provided in separate sections of this report starting at paragraph 57 and 245 respectively.

³ This does not include £2,351,000 relating to staff redundancies for MPs who had confirmed in 2014-15 that they would stand down at the General Election being accrued for in the 2014-15 Annual Accounts at the advice of the National Audit Office and not, therefore, included provided for in the 2015-16 Estimate.

⁴ For the purposes of accurate comparison to the Estimate this includes the total amount claimed under the regular budgets between 1 April 2015 and 7 May 2015, not just the costs outlined at paragraph xx as additional Election spending.

Resettlement Costs

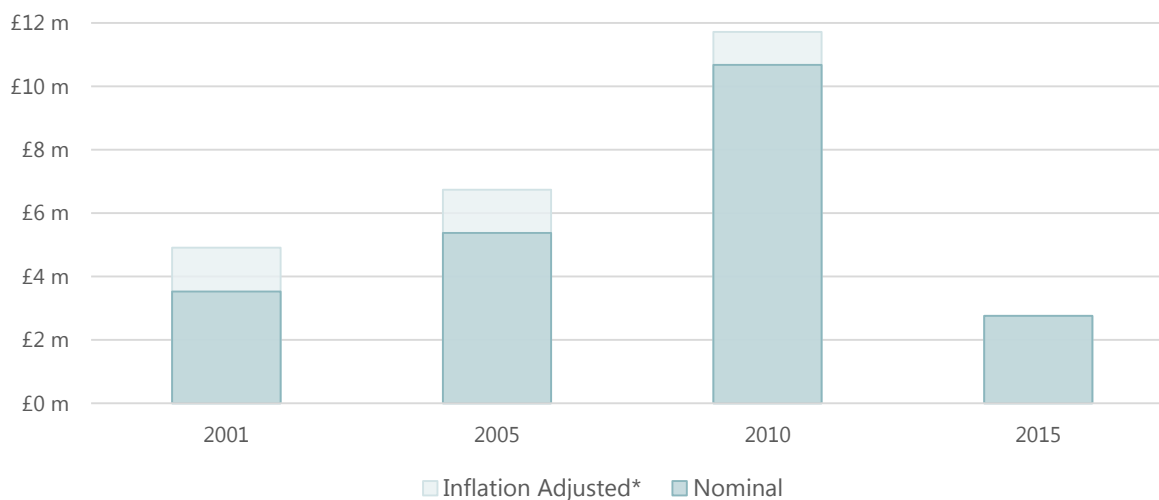
37. MPs who stood for re-election in the same seat but did not retain their seats at the General Election were eligible to receive a Resettlement Payment under paragraph 8.13 of the *Scheme*. MPs who stood down at the Election were not eligible to receive Resettlement Payments.
38. The amount of the Resettlement Payment was one calendar month's salary (at the rate payable to the MP immediately before polling day) for each completed year of service subject to a maximum payment equal to six months' salary.
39. This replaced the Resettlement Grant provided by the House of Commons at the 2010 General Election and will be replaced by the Loss of Office Payment for future General Elections. The terms of these payments are outlined at **Appendix A**.
40. The total cost of Resettlement Payments was £2,755,000 and the average Resettlement Payment per MP was £30,600. 90 out of 92 MPs who lost their seats received a Resettlement Payment, one MP did not receive a Resettlement Payment because they did not receive a salary and one MP did not receive a Resettlement Payment because they had not completed a full year's service.

Comparison with Resettlement Grant and Loss of Office Payment:

41. The value of Resettlement Payments has been compared to the cost of Resettlement Grants at previous General Elections. This comparison can be seen in **Figure 3**.
42. The figures for resettlement costs at the General Elections in 2001 and 2005 are from the House of Commons' Members Resource Accounts for the relevant years.⁵
43. Since the House of Commons did not produce Members Resource Accounts for the 2010-11 financial year, the figure for the 2010 General Election was calculated using the list of MPs who claimed for their Resettlement Grant, which was published by the House of Commons in response to a request under the Freedom of Information Act in April 2011, and their respective entitlements determined by age and length of service.⁶
44. After the General Election in 2010, it is estimated that £10,677,800 was claimed in Resettlement Grants from the House of Commons' Department of Resources by 220 MPs. The total cost of Resettlement Payments at the 2015 Election was therefore 74.2% lower overall before inflation, or 76.5% lower after inflation. This is the combined result of lower turnover in 2015 (182 compared to 225 in 2010), standing down MPs no longer being eligible, and a lower maximum for payments.

⁵ House of Commons, *Members Resource Accounts 2001-2*, p20 (www.publications.parliament.uk/pa/cm/cmresource/420.pdf). & House of Commons, *Members Resource Accounts 2005-6*, p28 (www.publications.parliament.uk/pa/cm/cmadmin/1453.pdf).

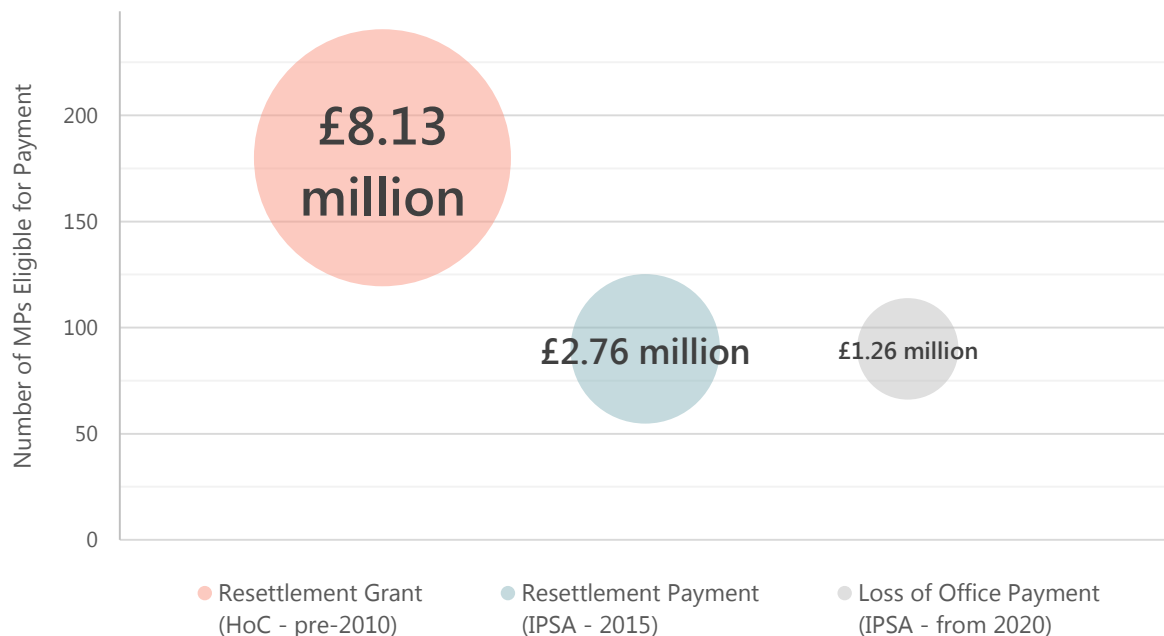
⁶ House of Commons, April 2011, *Former Members in receipt of an award from the Resettlement Grant*.

Figure 3 – Comparison of nominal and real-terms resettlement costs at General Elections, 2001-2015

* Expenditure at previous General Elections was adjusted for inflation using the government GDP Deflator from the March 2015 Budget update.⁷

45. In addition, analysis of the value of Resettlement Payments received by MPs who left Parliament at the 2015 General Election was compared with the equivalent entitlements that those same MPs would have had under the prior rules for the House of Commons' Resettlement Grants and under the future rules for Loss of Office Payments. This provides a calculation of the saving from introducing Resettlement Payments and the potential future savings from moving to Loss of Office Payments from the 2020 General Election.
46. Under the terms for Resettlement Grants, the MPs leaving office at the 2015 General Election would have been entitled to £8,127,700. Since the actual cost of Resettlement Payments was £2,755,000 there was a total saving of 66.1%, or £5,327,700. Under the terms for Loss of Office Payments, in effect for future General Elections, this saving would be increased to 84.4%, or £6,862,800. A comparison of these costs is shown in **Figure 4**.

⁷ HM Treasury, *GDP deflators at market prices, and money GDP*, March 2015 (<https://www.gov.uk/government/statistics/gdp-deflators-at-market-prices-and-money-gdp-march-2015-budget-2015>).

Figure 4 – Resettlement entitlements under alternative schemes for MPs who left office on 8 May 2015

Start-Up Costs

47. Start-Up Expenditure is available for MPs elected to Parliament for a particular constituency for the first time and is designed to meet the costs of setting up one or more constituency offices as a new MP.
48. The Start-Up Expenditure budget is set at £6,000 and lasts for 365 days from the day after the date of election of the MP. This is received in addition to the MP's annual Office Costs Expenditure budget.
49. The rules governing Start-Up Expenditure can be found at paragraph 8.1 to 8.4 of the *Scheme*.

Expenditure summary and analysis:

50. Given the period of availability for this budget for MPs elected at the General Election (8 May 2015 – 7 May 2016), expenditure totals are not yet available.

[This section will be updated in September 2016, once expenditure figures have been finalised.]

Dissolution Restrictions

52. Prior to and during the dissolution of Parliament, a number of restrictions are placed on the costs which MPs may claim under the *Scheme*.⁸ Dissolution lasted from 30 March to 7 May 2015.
53. Specific restrictions are placed on the rules governing travel between their constituencies and London and purchases of capital equipment. MPs' compliance with these restrictions was reviewed and the findings are outlined below.
54. MPs are still permitted to claim for accommodation costs and office costs in support of their parliamentary duties during dissolution.⁹ Paragraphs 10.15-10.17 of the *Scheme* restate the general requirement that these costs may not be used for party political activity but do not limit the costs that can be claimed in addition to the restrictions routinely in place.

MP and Dependant Travel

55. Restrictions on travel for MPs, their staff, and their dependants during dissolution are set out at paragraph 10.18 of the *Scheme*.
56. Claims for restricted MP and dependant travel were not categorised as high risk and were consequently subject to streamlined validation. In addition, compliance with these restrictions was not included as a category for specific review through the MP validation (MPV) process.
57. During the dissolution period, travel and subsistence expenditure for MPs is restricted to one single journey from Westminster to the MP's residence or any point in their constituency. In addition to the single journey from Westminster to the MP's residence or constituency, MPs who stood down at the General Election were eligible to claim for an additional two return journeys between their residence or any point in their constituency and Westminster.
58. During dissolution MPs may also claim for one single journey back to the MP's residence or constituency for any dependant (as defined by paragraph 4.24 of the *Scheme*).
59. All claims for travel under these restrictions were reviewed to determine the level of compliance by MPs and the operation of the restrictions by IPSA.

⁸ These restrictions can be found in Chapter 10F, paragraphs 10.14-10.19, of the *MPs' Scheme of Business Costs and Expenses*.

⁹ IPSA's election guidance stated that MPs were not permitted to claim London hotels during dissolution but this is not supported by the *Scheme*.

Findings on restricted travel:

60. 42 of the 560 MPs who stood for re-election made use of this provision, claiming a total of £7,400. 18 of these 43 MPs claimed for more than the maximum number of permissible journeys. Between them they claimed for a total of 69 ineligible journeys, with a combined cost of £4,400.
61. 24 of the 90 standing down MPs made use of this provision, claiming for 62 journeys at a total cost of £4,100. 1 of these 23 MPs claimed for more than the maximum number of permissible journeys. The MP claimed for 8 single journeys by car between Westminster and his constituency and consequently 3 of these journeys, totalling £100 are not eligible under the Scheme.
62. Only 13 claims for dependant travel under these rules were submitted by 2 MPs, totalling £700. However, of these claims only 3 were compliant with the dissolution restrictions at paragraph 10.18. The remaining 10 claims, totalling £600, were either for journeys in excess of the one single journey limit, or for travel by a spouse, who does not count as a dependant under paragraph 4.24.

Capital Expenditure

63. For the six months prior to the expected dissolution of Parliament (in this case 30 March) claims for purchases of office equipment, IT, and furniture under Office Costs Expenditure are not allowed. In exceptional circumstances where such purchases are necessary, prior approval from IPSA will be required.
64. The purpose of this restriction is to prevent the purchase equipment which an MP could keep if they leave Parliament at the General Election, and which would therefore confer a personal financial benefit.

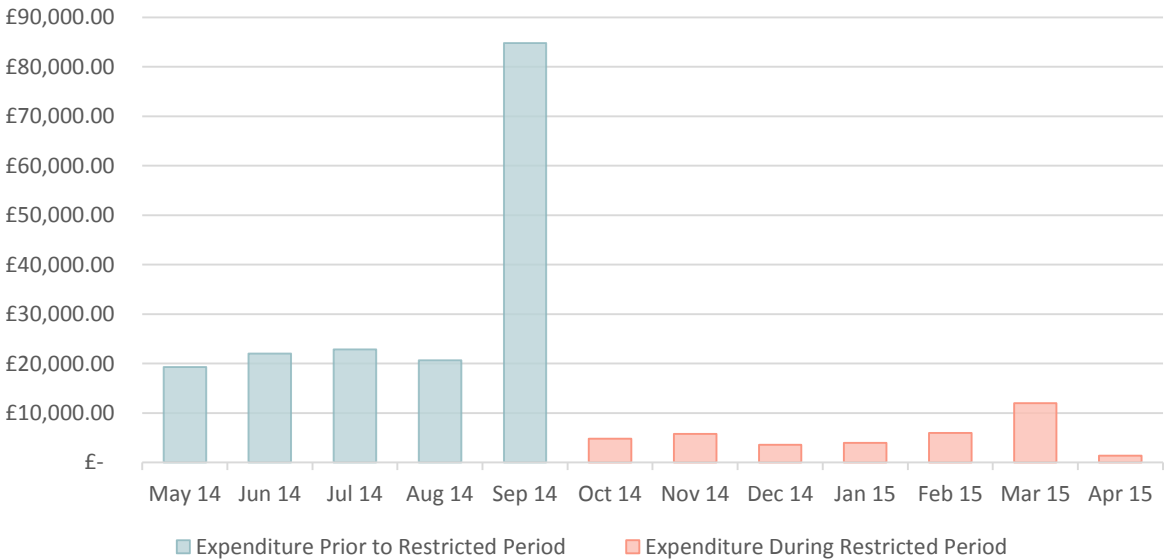
Capital expenditure purchases prior to the restricted period:

65. A review was conducted in March 2015 to provide assurance that capital equipment purchased in September 2015, prior to dissolution restrictions coming into effect, was exclusively for use in support of MPs' parliamentary functions and to assess whether changes in the level of expenditure were indicative of attempts to circumvent the capital expenditure restrictions in place before the election.
66. The review concluded that, while the information provided by the MPs contacted is sufficient to provide assurance that this expenditure meets the requirements of the *Scheme*, particularly for those MPs who left Parliament, the value of expenditure compared to the limited opportunity for parliamentary use does not present value for money.
67. Using the five year, fixed-rate model for depreciation that we apply to our own capital assets and allowing for a full year's depreciation, the value at the time of the election of the items purchased in September that could be retained by MPs who have stood down or lost their seats was £17,100 (24.0% of the expenditure under review).

Capital expenditure purchases during the restricted period:

- 68. During the restricted period the expense types which relate predominantly to capital items were categorised as high risk. In some cases validators made determinations on the exceptional circumstances of claims despite prior approval not having been sought and without referring them through the formal application process.
- 69. In total 182 applications for capital expenditure were received for purchases within the restricted period of which 162 applications, totalling £26,900, were approved.
- 70. A number of applications were made retrospectively, where the MP had purchased and claimed for an item without first seeking approval from IPSA. No record was kept of the number of applications falling within this category and so the level of non-compliance is not known.
- 71. A review of the relevant claim categories identified 166 claims for office equipment, IT, and furniture with a value of more than £50, were received and approved without an application during the restricted period. The total value of these claims was £16,400.
- 72. The level of capital expenditure during the restricted months was lower than in typical months, as can be seen in **Figure 5**. The average expenditure in the months where capital purchases were restricted was 84.3% lower than the average in the unrestricted months.
- 73. Using the five year, fixed-rate model for depreciation that we apply to our own capital assets and allowing for a full year’s depreciation, the value at the time of the election of the items purchased during the restricted period that could be retained by MPs who have stood down or lost their seats was £9,500 (22.8% of the expenditure under review).

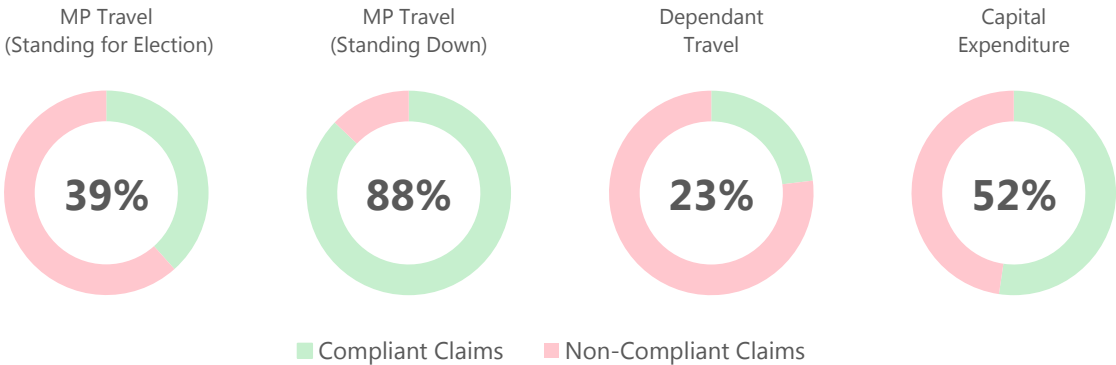
Figure 5 – Total expenditure on capital equipment, May 2014 – April 2015



Conclusions

- 74. The level of compliance with the restrictions in place throughout the period of dissolution is low and controls to enforce the restrictions were limited. Almost half of all claims submitted within the scope of these restrictions were non-compliant. **Figure 6** below shows the level of ineligible claims by category of restricted expenditure. In addition, routine governance processes failed to prevent or identify the majority of ineligible claims, which would suggest that a more robust approach is necessary in future.
- 75. The current rules regarding capital items create some potential for personal benefit, which stands in conflict with the Fundamental Principles of the *Scheme*. This issue arises from the fact that MPs personally own equipment that they purchase for parliamentary purposes, even though these items are paid for with public money and should only be for business, not personal, use. The extent to which some departing MPs did receive a relative financial benefit from capital expenditure purchases, as identified at paragraphs 84 and 98, indicates more could be done to mitigate the potential for personal gain. Since the *Scheme* allows for a mechanism by which MPs could benefit from the purchase of equipment, it is unclear how many MPs, acting within the rules, inadvertently benefited and how many could have consciously exploited this.

Figure 6 – Compliance level in restricted categories, 31 March 2015 – 7 May 2015



- 76. In no cases where MPs claimed for costs that were ineligible under the dissolution restrictions was the MP found to have misrepresented or disguised the cost being claimed in any way. In all cases the costs would have been claimable outside this period. This would indicate that low levels of compliance resulted from a lack of understanding of these restrictions, by IPSA as well as MPs, specifically that some costs which otherwise would be claimable are not claimable during this period. It is not indicative of any intentional misclaiming of business costs and expenses.

77. The rules in place for the period of dissolution could be improved so as to be more conducive to effective regulation in a number of ways:
- where the rules are prescriptive they should reflect the actual working practices and requirements of MPs, their staff and their dependants during dissolution;
 - further consideration should be given to the difference in circumstance caused by the closure of Westminster offices and suspension of business in Parliament and how this impacts on the working practices of MPs and their staff;
 - there should be clearer guidance on how the existing rules and principles should be applied to these temporary changes in working practices; and
 - IPSA should introduce stricter monitoring and enforcement of compliance with the introduced restrictions to avoid having to resolve these issues retroactively.

Campaign and Party Political Activity

78. As a consequence of the General Election there was an elevated risk that some MPs may claim for costs incurred in relation to party political activity and campaigning, particularly where these costs are incurred within the MP's parliamentary or constituency office or political activity is undertaken by an MP's parliamentary staff. Such costs are not eligible for reimbursement under the *Scheme*.

Restrictions on Campaign and Party Political Activity

79. MPs have the right to be reimbursed for unavoidable costs where they are incurred wholly, exclusively, and necessarily in the performance of their parliamentary functions.
80. Paragraph 3.4 of the *Scheme* sets out activities that are not considered to meet this criterion, which include:
- b. work which is conducted for or at the behest of a political party';
 - d. activities which could be construed as campaign expenditure within the scope of the Political Parties, Elections, and Referendums Act 2000'; and
 - e. activities which could be construed as election expenses within the scope of the Representation of the People Act 1983'.
81. Campaign expenditure and election expenses refer to costs incurred in relation to registered political parties and costs incurred by candidates respectively as defined in the those Acts. Under the Acts, campaign expenditure and election expenses are mutually exclusive. These are explained below and further detailed guidance is available from the Electoral Commission.
82. In addition, Fundamental Principle 2 states that 'MPs must not exploit the system for personal financial advantage, nor to confer undue advantage on a political organisation' and Fundamental Principle 11 states that 'The system should prohibit MPs from entering into arrangements which might appear to create a conflict of interests in the use of public resources'.
83. Costs relating to campaign and party political activity are not, therefore, considered to be incurred in the performance of an MP's parliamentary functions and are not claimable from IPSA. These costs may relate to any budget or type of expenditure, including office costs, staffing, travel and accommodation.

Campaign expenditure:

84. Part V of the Political Parties, Elections and Referendums Act 2000 (PPERA) defines campaign expenditure as follows:

*“Campaign Expenditure”, in relation to a registered political party, means (subject to subsection (7)) expenses incurred by or on behalf of the party which are expenses falling within Part I of Schedule 8 and so incurred for election purposes’.*¹⁰

85. Part I (‘Qualifying Expenses’) of Schedule 8 (‘Campaign Expenditure’) of the PERA is provided at **Appendix B**.

86. The PERA defines ‘for election purposes’ as:

‘for the purpose of or in connection with

(a) promoting or procuring electoral success for the party at any relevant election, that is to say, the return at any such election of candidates

(i) standing in the name of the party, or

(ii) included in a list of candidates submitted by the party in connection with the election; or

(b) otherwise enhancing the standing

(iii) of the party, or

(iv) of any such candidates,

*with the electorate in connection with future relevant elections (whether imminent or otherwise).*¹¹

Election expenses:

87. Part II of the Representation of the People Act 1983 (RoPA) defines election expenses as follows:

*‘In this Part of this Act “election expenses” in relation to a candidate at an election means (subject to subsection (2) below and section 90C below) any expenses incurred at any time in respect of any matter specified in Part I of Schedule 4A which is used for the purposes of the candidate’s election after the date when he becomes a candidate at the election.’*¹²

88. Parts I (‘List of Matters’) and 2 (‘General Exclusions’) of Schedule 4A (‘Election Expenses’) of the RoPA are provided at **Appendix C**.

¹⁰ Political Parties, Elections and Referendums Act 2000, s72 (2) (<http://www.legislation.gov.uk/ukpga/2000/41/part/V>).

¹¹ Political Parties, Elections and Referendums Act 2000, s72 (4).

¹² Representation of the People Act 1983, s90ZA (1) (<http://www.legislation.gov.uk/ukpga/1983/2/part/II>).

89. The RoPA defines 'for the purposes of the candidate's election' as:

'with a view to, or otherwise in connection with, promoting or procuring the candidate's election at the election'.¹³

Relevant periods:

90. Regulated periods for campaign expenditure and election expenses in advance of a General Election are set out in legislation, during which spending limits and rules regulated by the Electoral Commission apply. For the 2015 General Election these periods were as follows:

- the Regulated Period for campaign expenditure was 23 May 2014 to 7 May 2015;¹⁴
- the Long Campaign Period for election expenses was 19 December 2014 to 29 March 2015, the day before the candidate became a candidate (MPs standing for re-election become a candidate on the date of the dissolution of Parliament, 30 March 2015); and
- the Short Campaign Period for election expenses was the date at which a candidate became a candidate, 30 March 2015, to polling day, 7 May 2015.

91. In order to provide a robust assessment of expenditure which may constitute campaigning or party political activity, all costs incurred within the Regulated Period for campaign expenditure are considered to be within the scope of this review.

92. Particular focus has been placed on costs incurred within the Long and Short Campaign periods. Expenditure within these periods has been compared to expenditure during the same periods in prior years to provide context and to identify unaccounted-for deviation. However, it should be noted that costs considered to be campaign expenditure or election expenses are not payable by IPSA at any time, even outside of the specified periods.

Regulatory Approach

93. The proposed regulatory approach was outlined in a paper to the IPSA Board - *Ensuring that party political activity is not funded at the General Election* - and was discussed and agreed at their meeting on 10 July 2014.¹⁵

94. Given that this was the first General Election at which the IPSA Scheme had been in effect and we did not have access to any robust sources of information regarding MPs' compliance at previous General Elections, there was an inherent risk that the regulatory approach might be reliant on received wisdom and circumstantial evidence. Some efforts were made to mitigate this; however, it remains an area of risk to note.

¹³ Representation of the People Act 1983 s90ZA (3).

¹⁴ The regulated period for campaign expenditure is normally 12 months; however, in order not to overlap with the regulated period for the European Parliamentary Elections on 22 May 2014, this period was reduced for the 2015 General Election by the Transparency of Lobbying, Non Party Campaigning and Trade Union Administration Act 2014.

¹⁵ IPSA, Minutes – IPSA Board Meeting, 10 July 2014 (<http://parliamentarystandards.org.uk/transparency/Pages/Minutes.aspx>)

95. The underlying basis of the approach was a focus on strong guidance, including joint guidance with the House of Commons and the Electoral Commission, in order to remind MPs of their obligations and the appropriate use of IPSA funds. This would then be supported by routine validation processes and this retrospective assurance review.
96. Two sets of guidance were produced for MPs by IPSA, in consultation with the Electoral Commission. The first 'How to stay within the IPSA rules during the election: a guide for MPs' was provided to MPs in October 2014 and the second 'Campaign activities: further guidance for MPs on claims, repayments for office costs and adjustments to staff pay' was sent in bulletins to MPs in January, February and March 2015. Both documents were available on the IPSA's General Election website.
97. It was agreed by the Board on 10 July 2014 that spot-checks or audits of MPs' offices would be disproportionately invasive and not cost-effective. It had been estimated that in order to be effective it would be necessary to visit 35 offices and this would require resources costing an additional £126,000.
98. The Board also agreed that we would not require declarations from MPs stating that they would not use funds provided by IPSA for party political activity and that they would not be required to submit timesheets for staff where they were not taking leave to campaign. In both cases these were deemed too difficult to enforce, too costly and were not considered to be effective as preventative measures.
99. The paper to the Board recommended that IPSA carry out a survey of MPs' offices to establish the safeguards that they already had in place ensured that public funds did not get used for campaign purposes.
100. Since, in some cases, resources usually used for parliamentary purposes may be used by MPs for political purposes during the election period, a mechanism for repaying the appropriate proportion of costs was established. Guidance was issued in which MPs were advised:
 - where costs had been paid from the MPs' own money, to only claim the proportion of costs that were parliamentary for reimbursement;
 - where costs had been paid using the IPSA payment card, to mark the proportion that is not parliamentary as 'Not Claimed' and repay the corresponding amount;
 - where costs, such as rent, are paid direct to the supplier by IPSA on the MPs' behalf, to repay the proportion that is not parliamentary; and
 - where staff are taking unpaid leave to inform IPSA in advance so that pay for the corresponding period can be suspended.

Additional controls:

101. Alongside the overarching regulatory approach focussing on guidance as a deterrent, several other controls were operated.
102. Following a recommendation in an Assurance Report on claims for advertising in October 2014, it was agreed by the Operations Management Team that these claims should be elevated to

high-risk in the validation process and that the evidence requirements would be increased to include copies of the advertising material in addition to the relevant invoice. This came into effect on 1 December 2014 and lasted until 7 May 2015.

103. During initial scoping of this review, it was identified that retrospective assessment of websites would not provide robust assurance. Since material hosted online can be changed at any time with little or no record of the original content, a post-hoc review would not provide adequate levels of assurance that websites had not previously contained campaign content. Consequently it was agreed that active checking of IPSA-funded websites should be conducted. 25% of websites were checked each week for the 16 weeks prior to polling day, meaning that each website was checked 4 times at regular intervals throughout this period.

Risk Analysis

104. There are a number of circumstances in which a higher risk of non-compliance might be expected. It is commonly assumed there is an increased motivation for MPs in marginal seats or in seats explicitly targeted by another party to use any available resources to campaign to keep their seat. Some concerns have also been raised that MPs who stand down may use parliamentary resources for campaigning on behalf of their successor.
105. However, there are few robust sources of evidence available that can be used to assess the veracity of these claims. Detailed information regarding MPs' spending behaviour in the period prior to the 2010 General Election is not available and given the differences between the rules operated by the House of Commons and those operated by IPSA, conclusions drawn from such data may not remain valid.
106. Analysis was conducted to establish any correlation between the size of an MP's majority, and their expenditure and level of ineligible claiming, in the 2014-15 financial year.
107. To determine the presence of linear correlation, Pearson's product moment correlation coefficient (r) was calculated for both.¹⁶ For total expenditure to majority size r was -0.144, indicating weak correlation and for proportion of claims refused r was 0.034, indicating an almost entirely random data set.
108. In addition, to establish whether there was a possibility of a non-linear, monotonic correlation, Spearman's rank correlation coefficient (ρ) was calculated for both data sets.¹⁷ The findings in both cases were the same as for linear correlation. For total expenditure to majority size ρ was 0.162 and for proportion of claims refused ρ was 0.061.
109. The weakness of correlation described above can be seen clearly in the scatter plots presented at **Figure 7** and **Figure 8**. A brief assessment of other possible determinants of risk such as party, length of service and polling predictions also produced similar findings.

¹⁶ For Pearson's r , $r = \pm 1$ equals a perfect linear correlation and $r = 0$ equals no correlation.

¹⁷ For Spearman's ρ , $\rho = \pm 1$ equals a perfect monotonic correlation and $\rho = 0$ equals no correlation.

110. This suggests that, while individual circumstances may provide an reason to misclaim, historic data shows that this does not necessarily have a statistically significant correlation effect on claiming behaviour. While this may contradict frequently stated assumptions, it is simple to rationalise: even where there is a strong incentive, the majority of MPs do not claim costs which are not permitted under the *Scheme* and breaches of the rules do not always occur through considered, pre-meditated action. Consequently these factors are not a robust indicator of risk.

Parliamentary Commissioner for Standards:

111. To inform our risk profile further, the findings of investigations by the Parliamentary Commissioner for Standards of potential misuse of resources provided by the House of Commons were considered.
112. The Parliamentary Commissioner for Standards is an independent officer of the House of Commons with responsibility for the Register of Members' Financial Interests and the investigation of potential breaches of the House of Commons' Code of Conduct by MPs.
113. During the financial years 2014-15 and 2015-16 (as of 3 November 2015) the Parliamentary Commissioner for Standards investigated 11 complaints against 10 MPs in relation to the use of the House of Commons stationery allowance for party political purposes. 8 of these complaints were upheld because the MP was found to have breached the rules governing appropriate use of the stationery allowance.¹⁸
114. The extent of misuse and the profile and circumstances of the MPs varies considerably by case. This reinforces the finding that factors such as size of majority, party and region cannot reliably be used as robust determinants of risk. However, it does serve to show that misuse of public money does occur and that costs that could relate to the production and distribution of campaign materials needs to be scrutinised.
115. These findings are reflected in the findings of prior assurance work conducted by IPSA. However, in both cases there is a risk of selection bias as findings are more likely to relate to areas where clear, material evidence can be obtained, such as printed materials, and not to areas where evidence is less easily identifiable, such as use of office space. This caveat was taken into account in planning the review.

¹⁸ Full details of these complaints can be found on the Commissioner's section of the House of Commons website (<http://www.parliament.uk/mps-lords-and-offices/standards-and-financial-interests/parliamentary-commissioner-for-standards/complaints-and-investigations/allegations-the-commissioner-has-rectified/>).

Figure 7 – Total expenditure by MP compared to size of majority at previous election, 2014-15

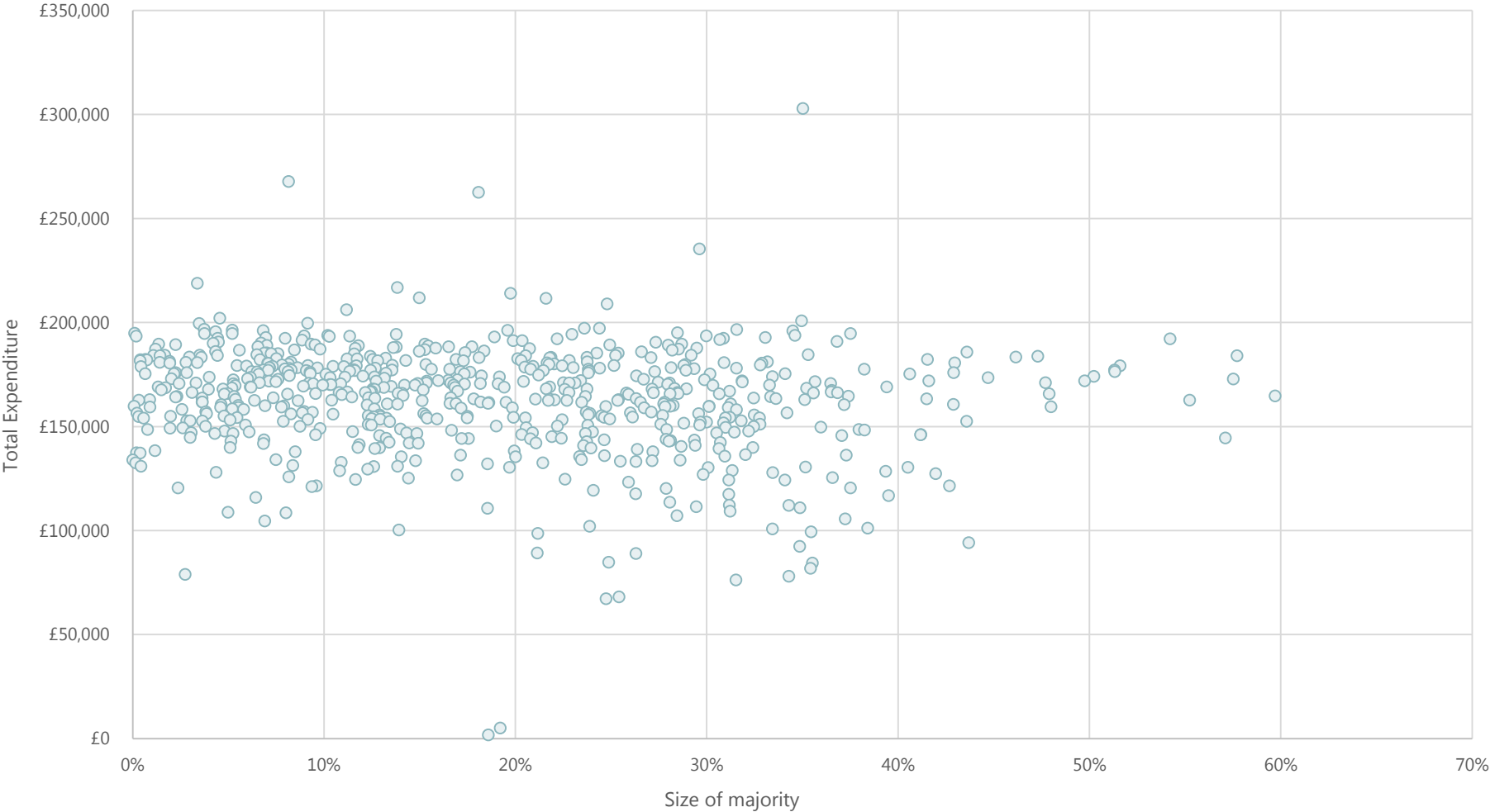
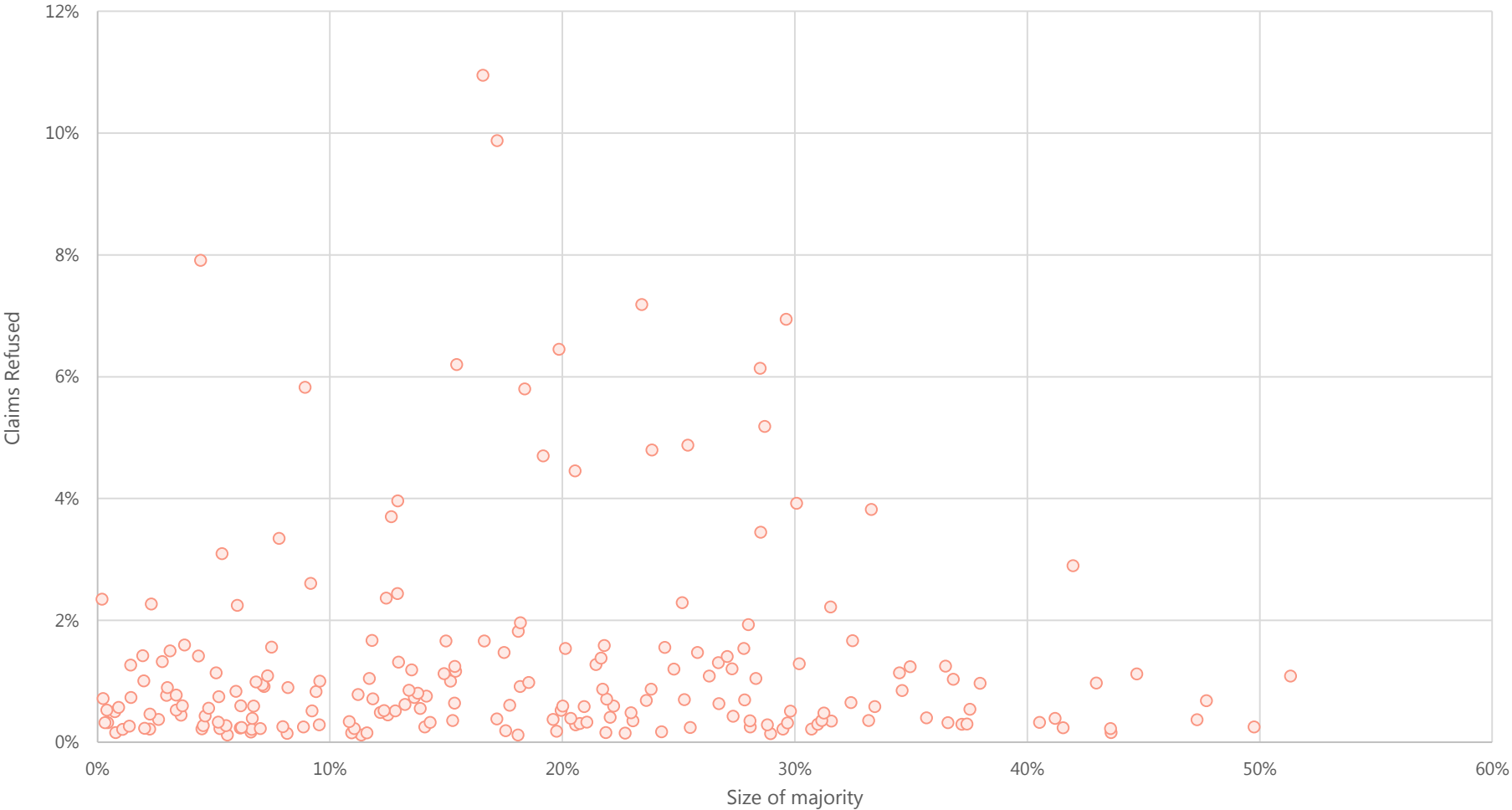


Figure 8 – Proportion of MPs’ claims refused compared to size of majority at previous election, 2014-15



Aggregate Expenditure in Risk Areas

117. The following sections sets out the areas of spending considered to be subject to compliance risk, the nature of those risks and the aggregate expenditure within these categories by budget.

Office Costs Expenditure:

118. MPs may continue to claim for the costs incurred in running their constituency offices during the election period; however, as at any other time during the parliamentary calendar, they are prohibited from using resources funded by IPSA for campaign or party political activity.

119. On the basis of findings from prior assurance work, routine validation processes, and investigations by the Parliamentary Commissioner for Standards as outlined above, the principal areas of risk in relation to office costs are;

- advertising (including contact cards);
- printing, postage and stationery costs (relating directly or indirectly to production and distribution of communications by the MP's office); and
- website costs.

120. In addition, remaining areas where office resources provided for parliamentary purposes could be used for campaigning have been grouped as follows:

- rent, utilities and other facilities costs;
- equipment hire;
- telephone costs; and
- venue and event costs (including hospitality).

121. **Figure 9** gives the spending in these areas in the Long and Short Campaign periods.

Figure 9 – Risk areas for office costs broken down by period

Category	Regulated Period (to 18 December)	Long Campaign	Short Campaign
Rent/Utilities/Facilities	£2,744,100	£1,342,900	£741,700
Printing/Postage/Stationery	£959,000	£515,100	£59,300
Telephone/Internet	£659,800	£305,200	£87,800
Advertising	£263,600	£111,700	£12,400
Equipment Hire	£185,700	£75,300	£28,200
Venues and Events	£95,400	£66,300	£9,100
Websites	£93,500	£20,700	£2,600
TOTAL	£5,001,100	£2,437,200	£941,100

122. We have a record of 58 MPs making 76 repayments totalling £21,500 in relation to Office Costs Expenditure for resources claimed from IPSA that they intended to use in whole or in part for campaigning prior to the election. This does not include repayments required by IPSA for claims subsequently determined to be ineligible under the *Scheme*.
123. Due to inconsistencies in how repayments were recorded and categorised the total figure for repayments could be higher.
124. Three repayments also appear to relate to use of equipment provided by the House of Commons, rather than purchased through expenses provided by IPSA, and the payments may have been submitted to IPSA in error.
125. No determinations can be accurately made on the total value of resources that MPs chose to use for campaign purposes but did not claim for during the Election period; however, the analysis of expenditure trends in the following section give a strong indication of areas where this occurred.
126. The majority of repayments, both in terms of number and value, related to constituency office rent. A breakdown of these repayments is presented at **Figure 10**.

Figure 10 – Campaign repayments for office costs broken down by category

Category	Amount Repaid	Number of MPs
Rent	£17,900	39
Equipment	£1,300	5
Telephone	£1,100	11
Utilities	£600	5
Website	£400	10
Stationery	£100	2
Unknown	<£100	1
TOTAL	£21,400	58

Staffing costs:

127. MPs may continue to pay staff through the IPSA payroll and claim for other staffing costs during the election period where the work undertaken is exclusively in support of their parliamentary purposes.

128. Approximately £22,760,200 was paid through payroll for staffing during the Long Campaign period and £8,837,900 for staffing during the Short Campaign period.¹⁹
129. During the period of dissolution, London-based staff do not have access to Westminster offices. There is an expectation, therefore, that they will either work from home, work from the constituency, or take paid leave. However, some may choose to take paid or unpaid leave in order to campaign for their MP or for another candidate.
130. Where a London staff member has not claimed for additional costs relating to a change in working location or taken unpaid leave, it is not possible to corroborate their working pattern during this period. There is a potential risk that those staff who are not otherwise able to work as normal and who do not take paid or unpaid leave, may use this time to campaign, despite being paid from public money.
131. 49 staff, working for 37 MPs, took unpaid leave for some or all of the dissolution period, presumably for the purposes of campaigning, out of approximately 3,100 staff employed by MPs on the IPSA payroll. Of these staff members, 22 were normally employed in the constituency and 27 were normally employed in London.
132. This amounts to an approximate reduction of 1.2% to the overall staffing costs to reflect the amount of parliamentary staff time that was instead presumably used for campaign purposes prior to the Election. Other staff may have made use of their paid leave allowance for the purposes of campaigning. IPSA does not keep paid leave records for MPs' staff.

Accommodation costs:

133. Under paragraph 10.15 of the *Scheme*, MPs are permitted to claim from the Accommodation Expenditure budget throughout the dissolution period. This is on the basis that MPs with rental agreements will be contractually required to continue paying for their accommodation throughout this period, even if it is not in use.
134. MPs claimed for approximately £810,000 for costs from the Accommodation Expenditure budget during dissolution.²⁰ **Figure 11** provides a breakdown by accommodation type and MP status following the election.

¹⁹ These costs are approximations due to the Long and Short Campaign periods not aligning to calendar months, in which payroll costs are grouped. The cost for 19-31 December 2014, 1-29 March 2015 and 30-31 March 2015 were taken as the appropriate proportion of that month's payroll and the costs for 1-7 May 2015 were taken as the equivalent proportion of the April 2015 payroll to avoid distortion in the May 2015 payroll from the turnover in staff immediately following the Election.

²⁰ Total expenditure figures quoted in this subsection are approximate given that the majority of accommodation costs are for a service over a period of time and some costs relating to this period may have been paid before or after the period in question and some transactions during this period may relate to costs covering the period before or after it. The approximations are calculated as the total cost of transactions occurring within the period.

135. This expenditure is permitted under paragraph 10.15 of the *Scheme*; however, some of these costs may be considered as election expenses under the RoPA. The 'List of Matters' that can constitute election expenses includes accommodation, excepting where it is the candidate's sole or main residence. This means that accommodation funded by IPSA, whether in the form of rental accommodation or hotels, used as a secondary residence by an MP when in their constituency for the purposes of campaigning, may in fact constitute an election expense. In total £65,500 was claimed in relation to constituency rental accommodation by 39 MPs during dissolution. There were no claims for hotel accommodation in constituencies in this period.
136. MPs who claim associated costs for a property which they own, rather than for rented accommodation or hotels, may continue to do so throughout dissolution. Where this is the MP's sole or main residence, the contractual arrangements exist irrespective of the individual's status as an MP and this may, therefore, constitute a personal benefit, during the period when Westminster is closed. Approximately £37,000 was claimed in associated expenditure for MPs' own property during the period of dissolution in 2015.
137. Despite the closure of the parliamentary estate during dissolution and the restrictions in place for travel to London, the *Scheme* does not prohibit non-London Area MPs from claiming for London Area hotels under Accommodation Expenditure during dissolution although IPSA's election guidance states this is not permitted. No MPs claimed for hotels under this provision prior to the 2015 General Election.

Figure 11 – Approximate accommodation costs broken down by type, 31 March 2015 – 7 May 2015

	Rental Accommodation		Hotels	Associated Costs Only
	London	Constituency		
Stood Down MPs	£68,500	£4,000	-	£3,400
Defeated MPs	£98,300	£1,700	-	£1,300
Returned MPs	£540,800	£59,800	-	£32,400
TOTAL	£707,600	£65,500	-	£37,100

Travel costs:

138. The main categories of travel that MPs and their staff may claim for are travel between the constituency and London and travel within the constituency. They may also claim for a small number of other journeys that are required less frequently, as outlined in Chapter 9 of the *Scheme*. In some circumstances MPs or staff may also be able to claim for subsistence costs.
139. While specific restrictions are placed on travel between the constituency and London for MPs and their dependants during dissolution, travel within the constituency and staff travel between London and the constituency are permitted as normal, where the travel is exclusively for parliamentary purposes.

140. A summary of costs for London to constituency travel for MPs and dependants is provided under the section of this report covering dissolution restrictions and can be found at paragraphs 61-73. Due to the additional restrictions, this spending is not considered high risk with respect to campaign costs.
141. 183 London staff members claimed a total of £38,600 for travel and a further £24,700 for subsistence to work in the constituency due to the closure of Westminster offices during dissolution.
142. In addition MPs and staff claimed the following costs for within constituency travel, travel for training, travel from home offices and volunteer travel during the relevant period:²¹
- £628,100 for within constituency and related travel during the Regulated Period; of which,
 - £161,500 was claimed during the Long Campaign Period (£118,000 by MPs, £43,500 by staff); and
 - £28,000 was claimed during the Short Campaign Period (£10,700 by MPs, £17,300 by staff).

Analysis of Expenditure Trends

143. The following sections sets out the findings of an analysis of historic trends in MPs' spending over the three full years prior to the Election (June 2013 – May 2015).
144. Given that the variation in individual claiming patterns is high and dependent on such a high number of factors, this area of review focuses solely on aggregate expenditure trends and assessment of deviations from historical norms. This should identify areas where a systematic change in behaviour could indicate widespread non-compliance.
145. Deviations in individual claiming that may indicate inappropriate claiming behaviour are routinely assessed through post-payment validation of expense claims and so this analysis is not duplicated. However, an assessment of discrepancies in claiming patterns for individuals in some areas of spending is provided through outlier analysis in the following section.

Aggregate expenditure trends:

146. Trends in total expenditure across all MPs were assessed both to provide an understanding of the typical patterns of spending throughout the financial year and to demonstrate how these might have changed in relation to the General Election.
147. **Figure 12**, on page 35, shows the trends in total expenditure for equipment hire, facilities costs that vary by usage such as utilities (this excludes fixed costs such as rent and business rates), and telephone costs.

²¹ These figures are subject to the same miscoding errors identified at paragraph 184

148. Equipment hire and facilities costs show a high degree of variation and almost no regular season trend throughout the year. In both cases expenditure is highest in March and April 2015, which may relate to the renewal of annual contracts at the end of the old or beginning of the new financial year. In neither case is there a notable change in expenditure throughout dissolution.
149. Telephone costs do not show a distinct pattern of seasonal variation but also exhibit less variation month-by-month. With the exception of dissolution, expenditure does not vary more than 20% above or below the mean monthly spend, and in the majority of cases monthly variation is less than 10% above or below the mean monthly spend. During dissolution, expenditure was lower than would normally be expected based on the trend across previous financial years, which provides a clear indication of a reduction in claims by MPs.
150. **Figure 13**, on page 36, shows the trends in Within Constituency Travel for MPs and staff, and venue hire and hospitality costs.
151. Venue hire and hospitality costs show some monthly variation but do not follow a seasonal trend. It is notable that February and March 2015 have the first and second highest monthly expenditure across this period. Expenditure fell in April and May 2015, as expected, when MPs would not be holding parliamentary surgeries and events.
152. Expenditure for MP within constituency travel shows notably higher than typical spending from September 2014 through to December 2014 with a further small upturn in March 2015. As expected, MP travel fell dramatically in April 2015 with almost all MPs ceasing to claim for the entirety of dissolution.
153. The trend for staff mileage shows an increase in March 2015 and a lower than expected reduction after the commencement of dissolution when compared to other categories of variable expenditure. As demonstrated in the section on outlier analysis below, these figures are disproportionately influenced by the high level of staff mileage claims by a single MP. This has a distorting effect on the overall trend and any conclusions drawn should be treated carefully as a consequence.
154. **Figure 14**, on page 37, shows the trends in total expenditure for advertising costs (including contact cards) and printing, postage, and stationery costs between June 2012 and May 2015.
155. Advertising spend has remained broadly consistent, with a slight upwards trend, but fell sharply during dissolution. Expenditure in April and May 2015 were 77.0% and 44.8% lower than the mean monthly spend respectively.
156. Postage, printing and stationery spend is more variable but with a clear seasonal pattern. Spending falls during month's predominantly covered by parliamentary recess (August and December) and rises sharply at year-end. In 2015 the year-end peak in expenditure is lower than typical; however there is noticeably higher spending through the rest of the Long Campaign, particularly December 2014 and February 2015.

Deviations from historic trends:

157. Following the initial review, the three areas where spending was higher close to the General Election than would be expected from the historical expenditure trends were selected for further review. As detailed above, these were:
- venue hire and hospitality between February and March 2015;
 - MP within constituency travel between September and December 2014; and
 - postage, printing and stationery between December 2014 and February 2015.
158. Several individual factors were found to have contributed to the increased venue and hospitality costs in prior to dissolution. None of these represent the use of venues or hospitality for campaign purposes.
159. One London-area MP paid rental costs in advance for a temporary office to be used by her parliamentary staff during dissolution as they would not be able to work from the parliamentary estate and she did not run a separate constituency office. Publically available information confirms that this office was used as the address for parliamentary correspondence during this time and was a different address to her campaign office.
160. One MP made a single payment for hiring a venue for surgeries from a local town hall over a period of twelve months. In previous years the payments for the same venue had been made in instalments spread across the whole year. The overall amount paid across the financial year shows no significant deviation from previous years.
161. One MP incurred hospitality costs for a conference she hosted in her constituency that related to a matter before Parliament.
162. It was also found that there had been an overall increase in the frequency of claims for venue hire for surgeries and constituency meetings by MPs during these months. The review did not identify that any of these differed in any material respect other than frequency from the claiming patterns prior to this period; the types of venue and cost per event remained unchanged in all cases reviewed. While this might indicate that some MPs sought to increase their engagement with their constituents during this period, where this represents an increase in activity to fulfil their parliamentary duties it remains claimable under the *Scheme*.
163. Review of the increased spending by MPs on within constituency travel in the last four months of 2014 revealed that this was in fact due to widespread miscoding of travel purchased through the House of Commons travel office after the supplier changed in September 2014. This included categorisation of staff and dependent travel as MP travel and London to constituency travel not being recorded as such. Once the inaccuracies in the data have been accounted for, the expenditure trend in fact matches that of the same period in the two prior financial years.
164. Analysis of higher spending on stationery, printing and postage costs between December 2014 and February 2015 has identified several contributing factors. A minority of MPs saw a significant increase in postage costs. Most of the significant increases, some exceeding £1,000, were due to MPs bulk buying stamps. It is possible that these purchases were in lieu of the House of Commons prepaid postage envelopes which were not available to MPs during dissolution. The relatively high cost of individual postage stamps (e.g. £1,060 for 2000 second

class stamps) mean that none of these MPs purchased sufficient quantities to have sent mass mailings to constituents and regardless this would not be a practical mechanism for doing so. In addition all candidates received free postage for one election communication to each constituent under electoral regulations. This increase is not, therefore, indicative of campaign use.

165. It should also be noted that the increase in stationery purchasing during this period was not the result of a small number of significant changes skewing the figures, but a widespread change in claiming behaviour. 321 MPs increased spending in this category, of which 41 had an increase of more than £1,000. The single largest factor causing this change was increases in the volume of purchases for printer toner. Higher costs relating to printing could indicate that MPs parliamentary offices may have been used to produce campaign materials; however, this is not conclusive evidence to that effect and it may result from other factors, such as the loss of access to the House of Commons stationery allowance during dissolution and the requirement to use letterheads that do not identify the individual as an MP during that same period.
166. The trends in expenditure prior to the General Election provide evidence that indicates no systemic diversion of public funds towards election campaigns. Where spending patterns do change significantly this relates to reductions in expenditure where MPs' parliamentary work is reduced in this period or increases resulting from factors which cannot be proven conclusively to relate to campaign activity. However, given the lack of available evidence after the fact, particularly with regard to stationery and printing costs, combining the detective controls with additional preventative controls may provide even more robust assurance in future.

Figure 12 – Expenditure trends for equipment hire, facilities costs and telephone costs, April 2013 to May 2015

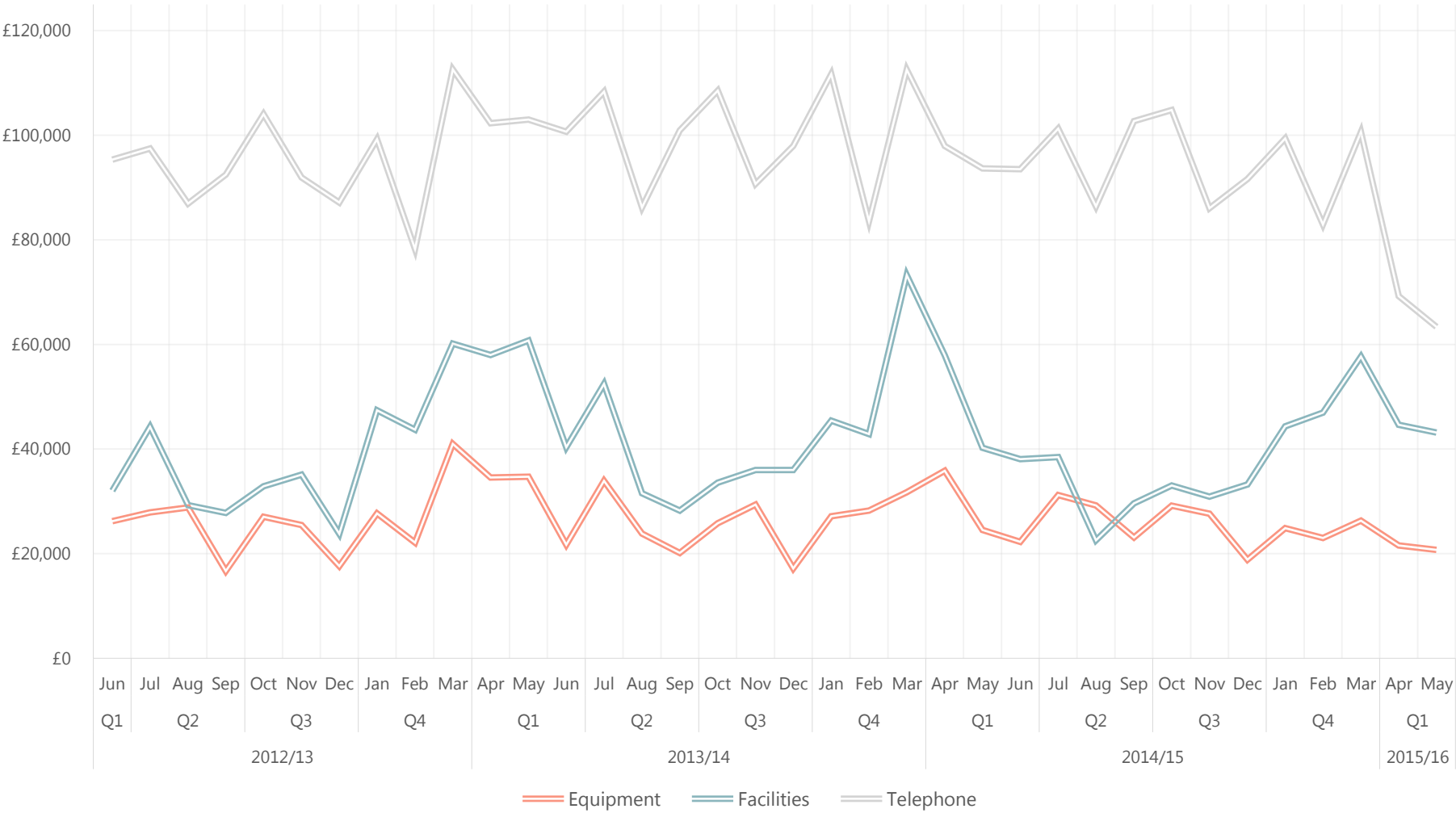


Figure 13 – Expenditure trends for venue and hospitality costs, and within constituency travel, April 2013 to May 2015

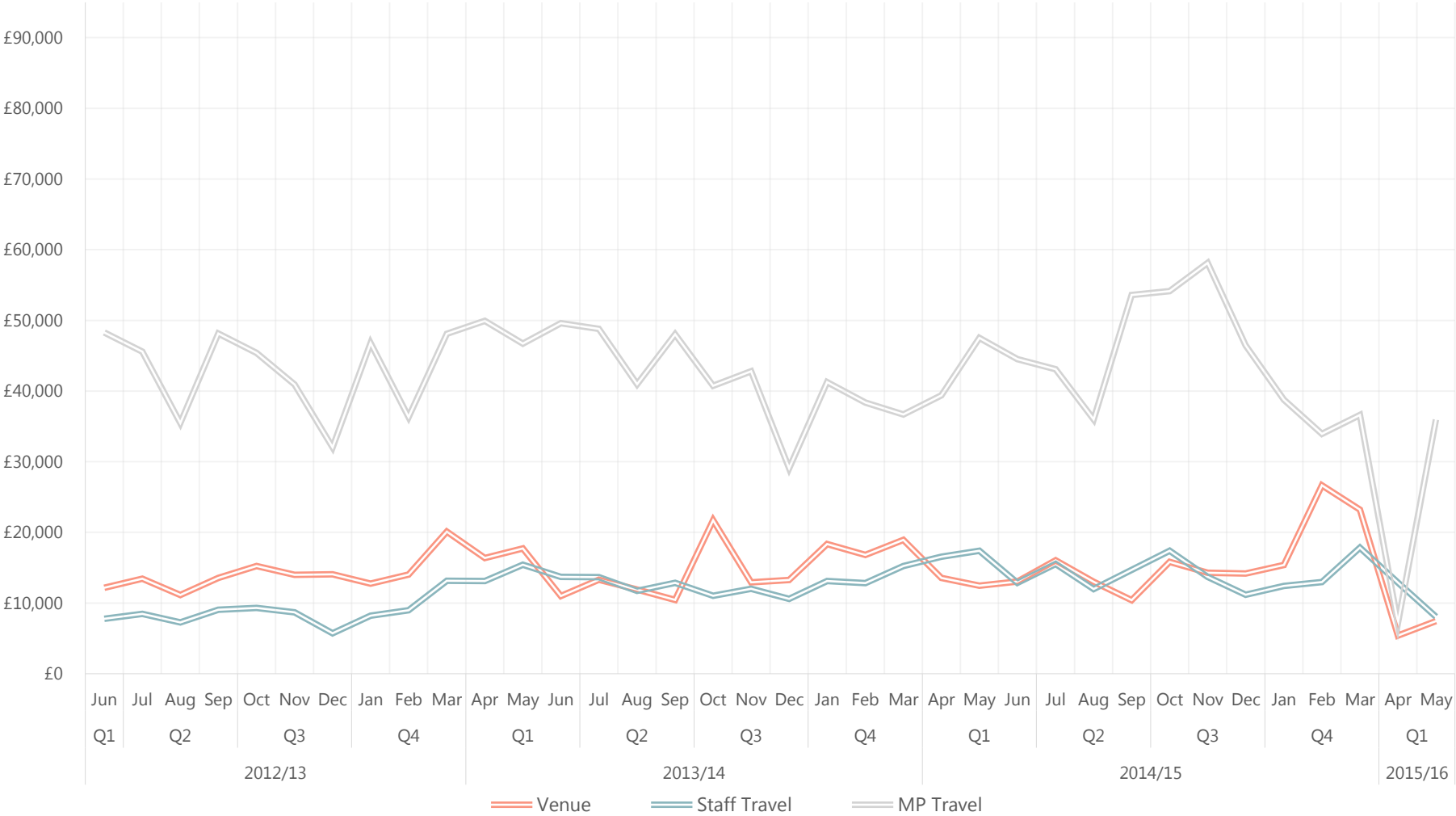
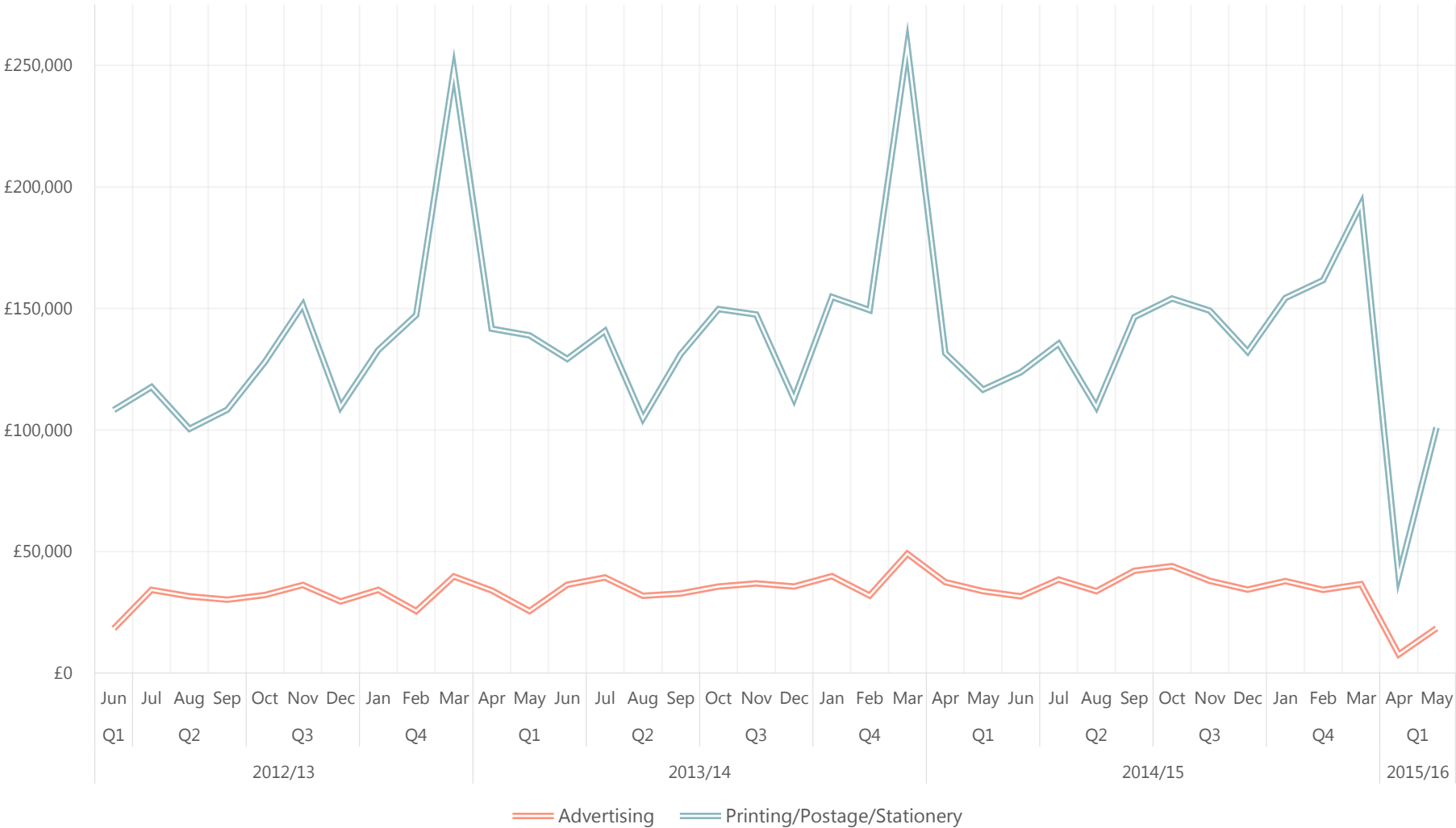


Figure 14 – Expenditure trends for advertising costs and printing, postage and stationery costs, April 2013 to May 2015



Analysis of Outliers

167. The following sections summarises the findings of analysis of spending by individual MPs where this deviated from the norm for MPs as a whole. The review focuses on areas identified in the previous section as experiencing a reduction in expenditure prior to the Election. The categories selected are:
- MP within constituency travel;
 - staff within constituency travel; and
 - communications with constituents.
168. An analysis of outliers for total spend across all categories was not considered due to the high variation in expenditure and range of different contributing factors meaning it would not present an effective method for identifying where the deviation resulted from campaign costs being claimed.
169. In each case outliers were selected for detailed review as follows:
- high risk outliers were those with a Z score more than two when only accounting for MPs who claimed during the relevant period;²² and
 - medium risk outliers were those where Z is more than two when accounting for all MPs during the relevant period.

Within constituency travel by MPs:

170. **Figure 15**, on page 41, is a pareto graph showing expenditure by MPs for within constituency travel during the Short Campaign periods. It shows that slightly over half of all MPs claimed for within constituency travel during this period and 141 MPs accounted for 80% of all spending in this category.
171. This aspect of the review focussed on the Short Campaign period as during the Long Campaign MPs still hold office and would be expected to carry out their normal parliamentary functions, whereas this would be expected for the most part to cease after the date of dissolution. This is evident in the trend analysis above.
172. A brief assessment of outliers identified in the Long Campaign under these criteria was conducted but identified no matters of interest that were not also present during the Short Campaign.
173. Two high-risk and two medium-risk outliers were identified out of 26 MPs who claimed during the Short Campaign and were subjected to detailed review.
174. One high risk and one medium risk outlier had already been referred to the Compliance Officer regarding travel claims although not within this category. Details of these claiming patterns were provided to the Compliance Officer.

²² The standard score (Z) is calculated as the number of standard deviations (σ) by which the data point (x) exceeds the mean (μ) for the data set, i.e. $x = \mu + Z\sigma$

175. The remaining high risk outlier's claims were analysed and a separate review of this case has been conducted.
176. The claims by the remaining medium risk outlier related to vehicle hire costs paid during the Short Campaign but relating to travel prior to it. These matched the regular pattern of constituency travel by the MP and did not indicate any cause for concern.
177. Consequently there is evidence of potential non-compliance by 3 out of the 350 MPs who claimed for within constituency travel during the Short Campaign. This is an indicator that there was no systematic non-compliance by MPs.

Within constituency travel by MPs' staff:

178. **Figure 16**, one page 42, is a pareto graph showing expenditure by MPs on within constituency travel by their staff during the Long and Short Campaign periods.²³ It shows that fewer than a third of MPs claimed for any staff within constituency travel during this period and only 57 MPs accounted for 80% of all spending in this category.
179. As with the review of outliers for MP travel, this analysis focussed on the Short Campaign only due to the continuation of normal parliamentary business until the date of dissolution. It is also the case that within constituency travel patterns are heavily skewed by a single MP's claims, which, as stated in the previous section, misrepresents the pattern by which staff within constituency travel almost entirely ceased during the Short Campaign.
180. A brief assessment of outliers identified in the Long Campaign under these criteria was conducted but identified no matters of interest that were not also present during the Short Campaign.
181. One high-risk and seven medium-risk outliers were identified out of 44 MPs who claimed during the Short Campaign and were subjected to detailed review. The findings are outlined below.

²³ The vertical axis for individual expenditure has been limited to £2,000 to prevent distortion as a result of the spending by the highest claimant. The highest claimant actually claimed £11,000, more than 20% of the total expenditure by all MPs during this period. Independent to this review, this MP has been referred to the Compliance Officer regarding the levels of mileage claimed by their staff.

182. The high-risk outlier accounted for 39.6% of all staff travel across all 650 offices during the Short Campaign period. This MP is currently under investigation by the Compliance Officer for IPSA regarding staff mileage claims and so no further action was taken at this time. The relevant information was provided to the Compliance Officer.
183. One medium-risk outlier was identified as claiming for a high-level within constituency travel in the form of car hire for a London-based staff member. This matter was separately identified in the course of analysis of London staff claims for working from the constituency during dissolution and is considered in more detail at paragraph 236.
184. Four medium-risk outliers were identified as having miscoded claims for travel, either between London and the constituency for displaced London staff members or a staff member's home office and the constituency, as within constituency travel. In each of these cases, the miscoding resulted in the MP being identified as having high within constituency travel when this was not in fact the case.
185. In one of the instances of miscoding the MP had also incorrectly claimed for the staff member's mileage, claiming for the exact cost of the petrol receipts as if for a hire car, rather than using the approved mileage rate as it was a personal vehicle. This resulted in an underpayment to the staff member of approximately £500. It is recommended that this matter be corrected and the staff member should be reimbursed the remaining amount.
186. In the remaining two cases the level of mileage claimed fell within the typical pattern of travel claimed by the relevant staff members outside of the Short Campaign. In one instance a staff member conducted frequent travel within the constituency, which persisted at the same level throughout the Short Campaign. While the distances involved are small, the cumulative total over the whole period resulted in higher than typical claim when compared to the majority of MPs' offices where the volume of travelled reduced. There is no indication that the journeys claimed were any different from those outside of the Short Campaign.
187. In the other instance a member of the MP's staff works from a home office just within the 20 miles of the constituency boundary in which within constituency travel can be claimed. As a result of this location and the relatively large size of the constituency, the travel claims are comparatively high, even though the frequency of travel is low, resulting in higher than typical expenditure during this period. The staff member only travelled on four separate days during the Short Campaign period.
188. There is therefore evidence of potential non-compliance by 2 out of 210 MPs who claimed within constituency travel by their staff, although in one instance this is not related to the General Election or specifically to campaign costs. This indicates high levels of compliance and there is no suggestion of any widespread inappropriate claiming behaviour.

Figure 15 –MPs’ expenditure on within constituency travel during the Long and Short Campaign periods

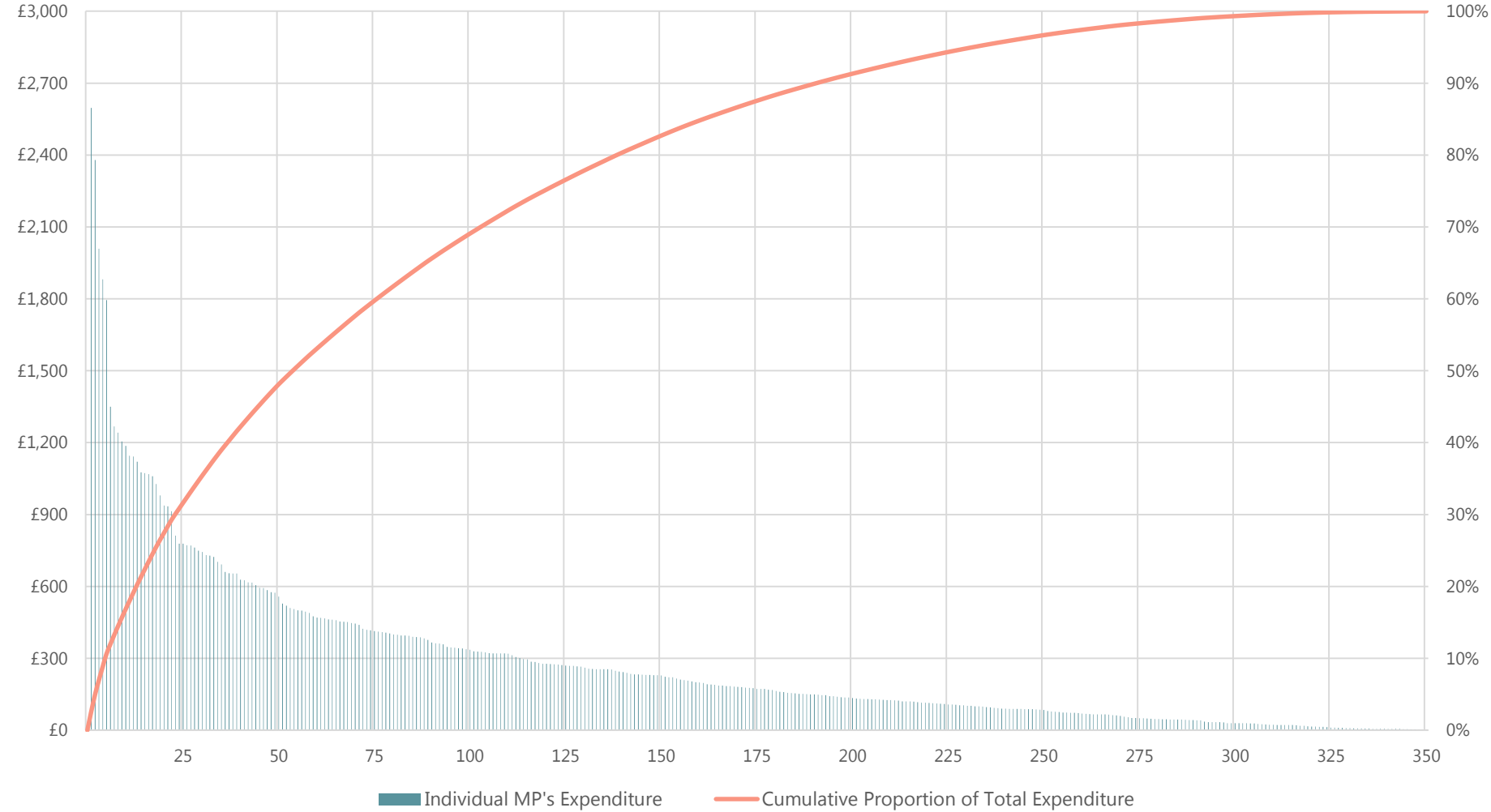
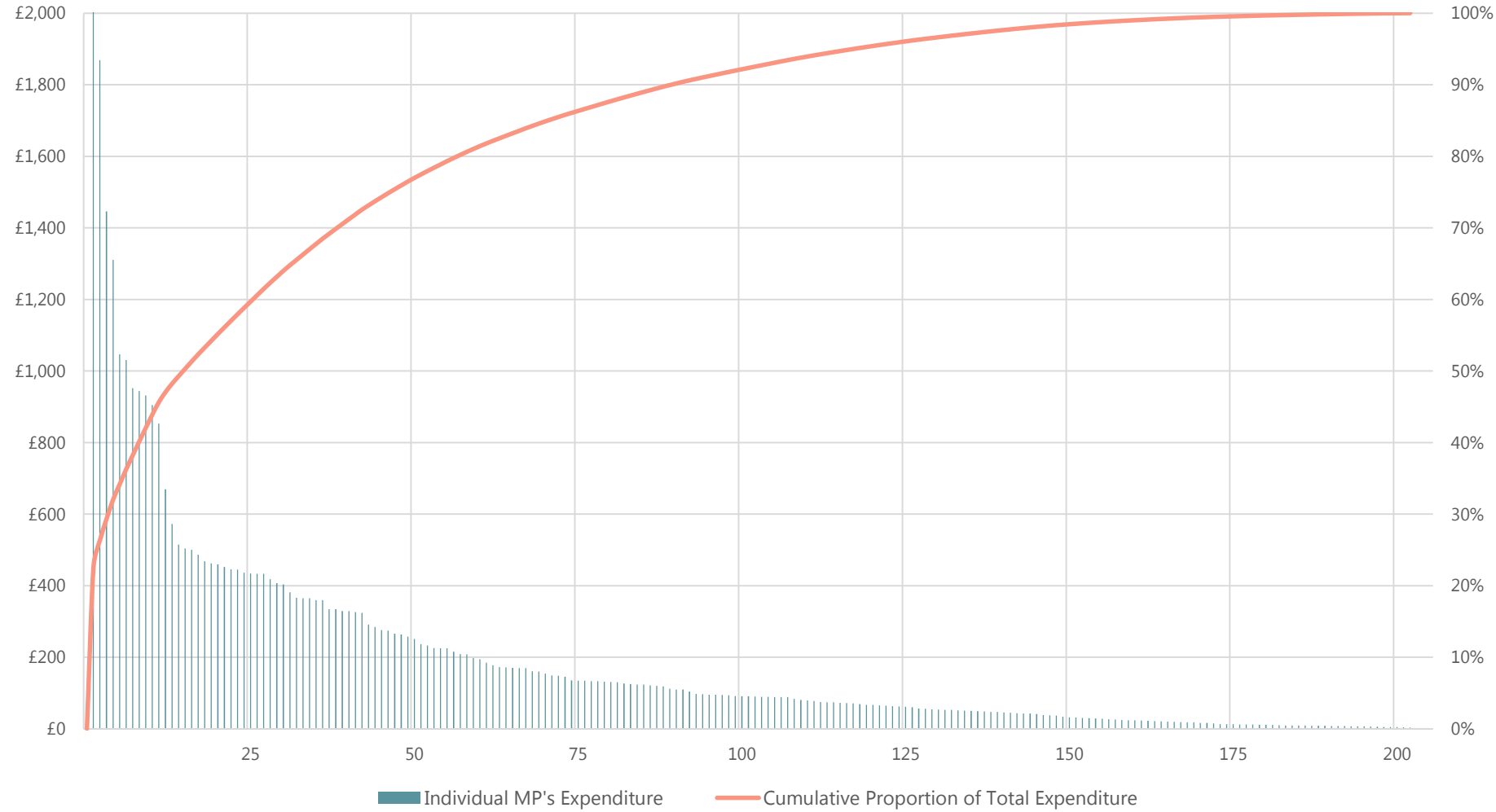


Figure 16 – MPs' expenditure on staff members' within constituency travel during the Long and Short Campaign periods



Communication costs:

190. Expenditure on advertising, postage, printing, stationery and other relevant expense types was reviewed to identify those claims that related directly to communicating with constituents. Costs that may indirectly relate to communications, such as purchases of printer paper and toner, but which may also relate to casework or other aspects of parliamentary business, were not included.
191. In total £115,200 worth of expenditure on communications was identified during the Long and Short Campaign periods by 231 MPs (£109,000 in the Long Campaign and £6,200 in the Short Campaign). This data was ordered and analysed in the same manner as the travel above for both periods.
192. Eight high-risk and 18 medium-risk outliers were identified out of 225 MPs who claimed during the Long Campaign period and were subjected to detailed review. The findings are outlined below.
193. The two highest claimants both commissioned large scale surveys of constituents costing £4,800 and £4,200 respectively. Neither survey contains content that would render them ineligible under the *Scheme* and it can be seen in both cases how they relate to the parliamentary responsibilities of the MPs. However, the high cost of these surveys (approximately a fifth of their total annual Office Costs Expenditure budget) represents an investment in these issues that would not normally be expected and, in respect of these MPs' expenditure, is without precedent. In addition, the timing in advance of the election and the size of the distribution would have a potential impact on their profiles as candidates.
194. One high risk-outlier claimed £3,600 for leaflets and flyers to advertise a 'pensioners' fair'. The MP had not previously claimed for advertising an event of this nature.
195. One high-risk outlier claimed for 60,000 contact cards in January and a further 10,000 in February, costing a total of £2,700. Both sets contain slogans that could be construed as self-promotion – 'Looking after [constituency], Fighting for ENGLAND, Putting BRITAIN first!' – and the cards claimed in January contain a Christmas message to constituents. The MP has claimed for the cards with the Christmas message in a similar volume each year of the 2010 Parliament; however, the additional 10,000 cards purchased in February do not reflect previous claiming behaviour. Both could be construed as election expenses and are not therefore eligible.
196. Two medium-risk outlier claimed £700 and £500 respectively for newsletters that are not eligible under the *Scheme*. One also claimed for a high volume of leaflets to constituents advertising surgeries, which are claimable; however, examples were not provided as required during this period. The other claimed £700 for 10,000 contact cards and also did not provide examples.
197. One medium-risk outlier claimed £600 for printing 10,600 letters to constituents. Examples of the letters were not provided and their content is unknown.
198. The remaining three high-risk outliers and 16 medium-risk outliers all had higher expenditure than other MPs due to claiming for a higher than typical volume of surgery advertisements in local newspapers and publications. In each case evidence was included in the claims that showed that the advertisements were strictly parliamentary and did not include political messaging or party logos. Prior assurance work has shown that the volume of claims for these

types of advertisements varies widely by MP and that they are often the most expensive means of communicating with constituents.

199. One high-risk and 16 medium-risk outliers were identified out of 225 MPs who claimed during the Short Campaign period and were subjected to detailed review. The findings are outlined below.
200. The high-risk outlier claimed £800 for a newsletter, which is not eligible under the *Scheme*. This is also one of the MPs identified as claiming for newsletters at paragraph 219.
201. One medium-risk outlier claimed £300 for a freepost return service so that constituents could send responses to a petition he had issued to them relating to the traveller community in the constituency. This is also the MP identified at paragraph 220 and the petition may be the subject of the 10,600 letters to constituents.
202. One medium risk outlier claimed £200 for an advert on a local radio station. The content of the advert is unknown.
203. Two medium-risk outliers claimed £300 and £100 respectively for business cards despite neither standing for re-election. Examples were not provided and so the content is unknown.
204. The remaining 12 medium risk-outliers all had newspaper adverts for surgeries invoiced or paid during the Short Campaign although the adverts in question were issued prior to the Short Campaign, some going back as far as a year. One of these pre-purchased advertising for summer surgeries in a local magazine in April, prior to the General Election.
205. In the course of categorising this spending, three other claims, totalling £900, were identified as ineligible for the following reasons:
 - one was for Christmas cards;
 - one included a party logo; and
 - one was a duplicate claim.

Other costs:

206. A brief assessment of other categories of spending was conducted.
207. In fixed cost areas, such as those shown at **Figure 9** and payroll costs, there is little evidence to suggest variation in individual expenditure is due to potential campaign use rather than routine arrangements.

Other Findings

209. Smaller, targeted, reviews were also conducted, the details and findings of which are summarised below.

Relocation of London staff during dissolution:

210. Travel and subsistence costs for London based staff members to relocate to the constituency to work during dissolution were subjected to review. This was to assess whether the provision for these staff to conduct parliamentary work in the constituency when access to the Westminster estate was restricted might in fact have been used to support these staff in relocating for the purposes of campaigning.
211. Claims for travel to the constituency, travel within the constituency, hotels and food were compared to establish whether they matched the working patterns we would expect. In the majority of cases reviewed the pattern of travel was either return travel from London to the constituency on some or all weekdays or travel to the constituency early in the week, hotel stays on some or all weeknights and return travel later in the week.
212. In one case, review of food claims for two staff members working for one Conservative MP indicated that on the majority of days where the staff were supposedly working in the constituency they were actually in locations throughout the neighbouring constituency. The neighbouring constituency had been a Conservative marginal seat until 2012 when it became a Labour marginal through a by-election. Other evidence has been collated and indicates that these staff, another staff member of the MP and two staff of another neighbouring MP may have been campaigning in the target seat. A separate review of this case is being conducted.
213. Another case showed that a London based staff member was travelling to the constituency and conducting a high volume of within constituency travel once there resulting in the MP being determined a high risk outlier for within constituency staff travel as identified at 206. While the staff member did travel regularly to and within the constituency prior to this, there was an increase in the frequency of claims during the Long and Short Campaigns. This is not typical for staff during dissolution and reflects the expected pattern for an individual travelling to the constituency to canvas rather than to work from the constituency office. The staff member was also the MP's election agent. A separate review of this case is being conducted.
214. It was also identified that one staff member of a different MP had claimed for food costs without a corresponding overnight hotel stay. These claims do not meet the criteria in the *Scheme* and are consequently not allowable.

Website review:

215. As stated at 128 above, proactive checking of IPSA funded websites was carried out during the period prior to polling day. The Compliance Officer for IPSA also undertook a review of IPSA funded websites, under Section 9 of the Parliamentary Standards Act 2009, and requested the findings of IPSA's internal review.²⁴
216. Based on information provided by IPSA, the Compliance Officer determined that three websites funded under the *Scheme* included party political content. In each case the MP was contacted and the issues were resolved as follows:
- in two cases the MPs were contacted and opted to remove the offending content; and
 - in one case the MP was contacted and opted to repay the costs claimed towards the website,
217. A further two websites funded under the *Scheme* were identified by the Compliance Officer as containing party political content following complaints from members of the public. In both cases the MPs were contacted and the offending content was removed.
218. In all five cases the Compliance Officer was able to resolve the complaint without needing to open an investigation. As these matters were resolved by the Compliance Officer, no additional action was required or taken by IPSA.

Conclusions

219. Two clear messages arise from these findings:
- for more than 95% of MPs there is no evidence of any inappropriate use for campaign purposes of public money claimed from IPSA;
 - a few MPs may have made use of funds provided by IPSA to campaign and will be considered further.
220. The low number of individual ineligible claims is within the typical levels of compliance and MPs appear to have been aware for the most part of the requirements of the *Scheme* and electoral law, suggesting that in this respect the focus on guidance was effective. In areas where possible breaches have been identified it does not appear to be because MPs were unaware of the rules and so preventative steps could be considered for the future.
221. In some areas of spending no evidence is routinely captured, or otherwise attainable, that would enable us to establish the output of the goods or services procured. This was particularly found to be the case for staff time and general stationery costs, and on this basis a review of the usage of office space could not be conducted. In such cases, even where there may be a reason for suspecting non-compliance, establishing the facts after the event is not possible and consideration should be given to proactive steps that could be taken to ensure these matters are regulated in a robust manner.

²⁴ *Parliamentary Standards Act 2009*, s9 (2)(a) (<http://www.legislation.gov.uk/ukpga/2009/13>).

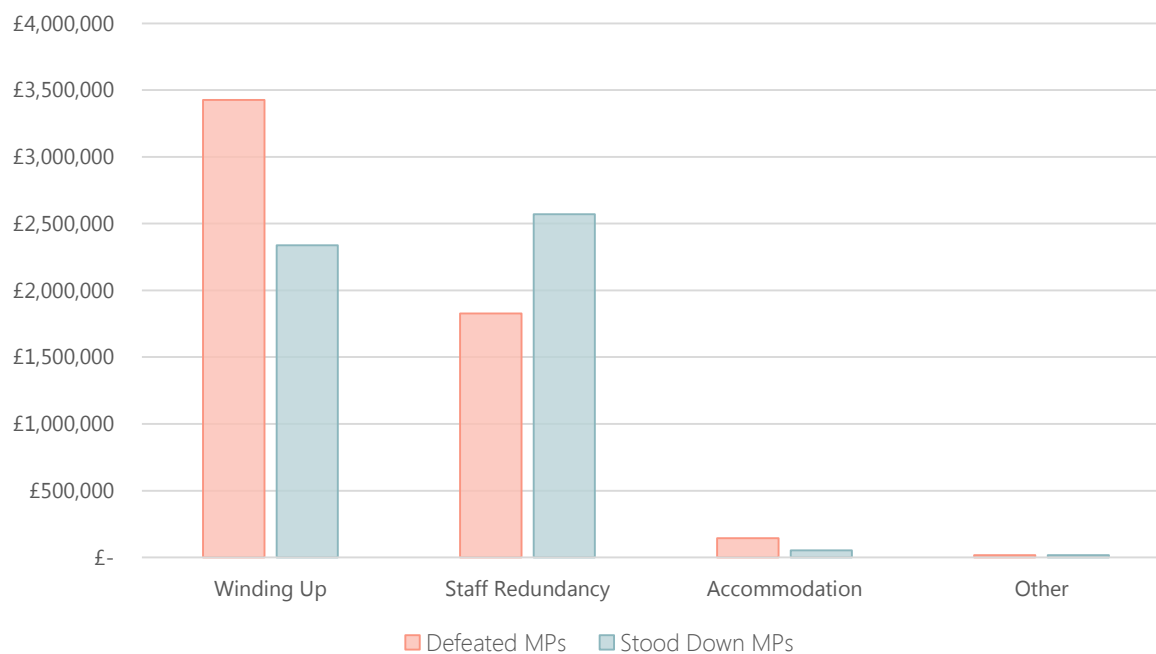
Winding-Up Costs

222. MPs who stood down at the election or who were not returned are eligible to claim for Winding-Up Expenditure. This is designed to meet the cost of concluding their parliamentary affairs including terminating existing contractual arrangements with suppliers and staff, closing down offices, and related travel costs.²⁵
223. Winding-Up Expenditure is limited £57,150 for London Area MPs and £53,950 for non-London Area MPs. Staff redundancy costs, accommodation rental payments and associated expenditure, and security and disability assistance are all met from the Contingency Fund and are not capped.
224. 182 MPs left office at the Election and were eligible to claim for these costs. Of these:
- 90 stood down from Parliament; and
 - 92 did not retain their seats in the General Election.

Aggregate Expenditure

225. In total £10,396,400 was claimed by MPs who left Parliament, £4,981,300 by MPs who stood down and £5,415,000 by MPs who were not returned. This consists of:
- £5,766,200 from the capped Winding-Up Expenditure budget;
 - £4,595,900 met from the uncapped Contingency Fund; and
 - £34,000 in other costs.
226. Total expenditure in each category is shown in **Figure 17**.
227. The average expenditure per MP across the whole Winding-Up process was £57,100 This consists of:
- £31,700 from the capped Winding-Up Expenditure budget;
 - £25,200 met from the uncapped Contingency Fund; and
 - £200 in other costs (see paragraph 308-312 for further detail).
228. A breakdown of costs is shown in **Figure 18**.

²⁵ Full details of costs covered by Winding-Up Expenditure can be found at paragraphs 8.5-8.12 of the *Scheme*.

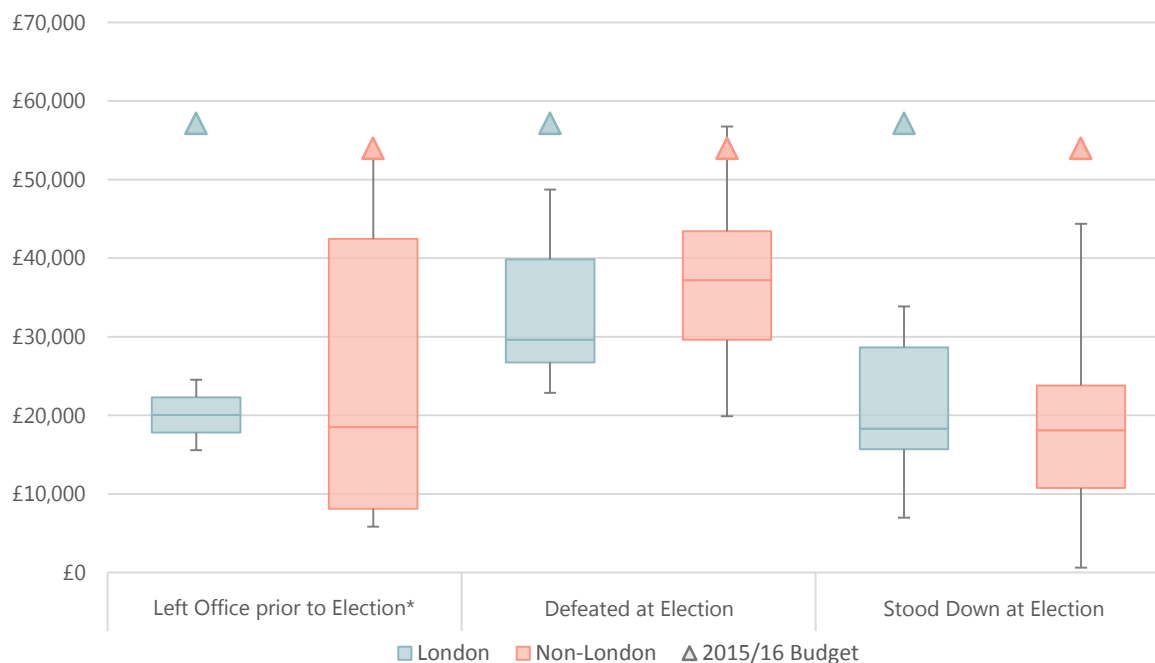
Figure 17 – Winding-Up costs by category, 2015-16**Figure 18** – Winding-Up costs broken down by type, 2015-16

Status	Stood Down MPs		Defeated MPs	
	Average	Total	Average	Total
Winding-Up Expenditure	£26,000	£2,340,200	£37,200	£3,426,000
Staff Redundancy	£28,600	£2,570,200	£19,900	£1,827,200
Accommodation Expenditure	£600	£54,000	£1,600	£144,500
Other Expenditure	£200	£17,000	£200	£17,000
Total	£55,300	£4,981,300	£58,900	£5,415,100

Expenditure against budgets:

229. There is variation in the amount each MP spent on Winding-Up, although there are emergent trends, which are outlined below. These trends can be seen in **Figure 19**, with backing data presented in **Figure 20**.
230. Assumptions regarding higher costs for London Area MPs necessitating higher budgets are not reflected in their actual expenditure, with London Area MPs typically spending less than non-London Area MPs. In addition, no London Area MP spent above the lower budget limit given to non-London Area MPs. This would suggest that London-area MPs do not need an increased budget and that this provision should be reassessed.
231. As expected, MPs who stood down incurred lower costs within the capped Winding-Up budget than those who were defeated. This is driven by the fact that they could begin the process of closing down their financial affairs in advance of the election. However, they spent on average 30.5% more on staff redundancies, which is the result of a higher proportion of staff being on IPSA contracts (92.8% compared to 88.5%) and therefore benefiting from higher redundancy entitlements.
232. There was less overall variation in expenditure for MPs who left at the General Election than those who left office during the course of the 2010 Parliament. This likely to be due to the more consistent circumstances of their leaving Parliament and the greater possibility of early preparation. However, there is a higher level of variation in expenditure by MPs who stood down than those who were defeated. This may indicate that, while the overall expenditure is lower, not all MPs who stood down took advantage of the ability to prepare in advance for leaving office to the same extent as their colleagues.
233. The majority of MPs did not spend their entire Winding-Up budget. This includes all London and non-London Area MPs who stood down at the Election and all London Area MPs who were defeated at the Election. In fact, MPs leaving office spent on average only 58.7% of the maximum budget available to them. This would indicate that MPs sought to close down their office and resolve their parliamentary affairs in a cost-effective manner only making use of the funds that they required and that the budgets allow for a higher level of expenditure than is necessary.

Figure 19 – Distribution of Winding-Up budget expenditure by MP status



* Expenditure for MPs who left office prior to the General Election was adjusted for inflation using the government GDP Deflator from the March 2015 Budget update to allow for accurate, real-terms comparison.²⁶

Figure 20 – Winding-Up budget expenditure by MP status data

	Left Office prior to Election		Defeated at Election		Stood Down at Election	
	London	Non-London	London	Non-London	London	Non-London
Minimum	£15,600	£5,900	£22,900	£19,900	£7,000	£600
Second Quartile	£17,800	£8,100	£26,700	£29,600	£15,700	£10,700
Median	£20,000	£18,500	£29,600	£37,200	£18,300	£18,100
Third Quartile	£22,300	£42,400	£39,900	£43,400	£28,700	£23,800
Maximum	£24,500	£53,800	£48,700	£56,800	£33,900	£44,400
2015-16 Budget	£57,150	£53,950	£57,150	£53,950	£57,150	£53,950

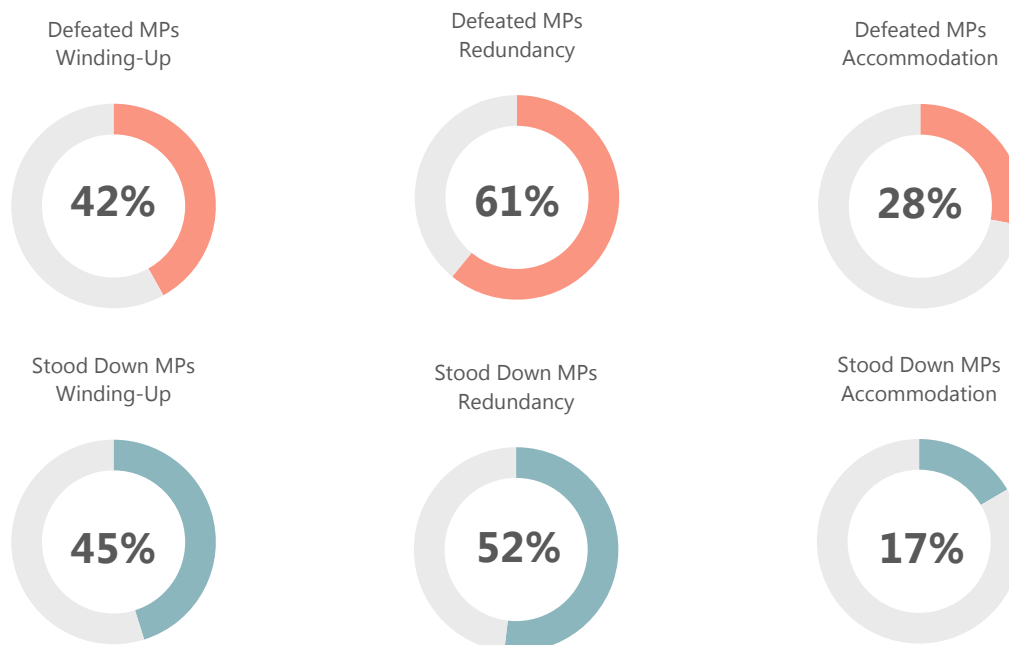
²⁶ HM Treasury, *GDP deflators at market prices, and money GDP*, March 2015 (<https://www.gov.uk/government/statistics/gdp-deflators-at-market-prices-and-money-gdp-march-2015-budget-2015>)

Comparison with 2015-16 Estimate to SCIPSA:

234. IPSA submits an Estimate annually to the Speaker's Committee for the IPSA (SCIPSA) for approval. The Estimate sets out the required budget for the following financial year.
235. The Winding-Up costs for the 2015 General Election were included in IPSA's 2015-16 Estimate, which was submitted to SCIPSA in February 2015.²⁷
236. The Estimate included provisions under Subhead A (MPs' pay, staffing, business costs and expenses) of £17,618,600 for costs relating to Winding-Up. These provisions were as follows;
- Winding-Up Budget (Defeated MPs) - £8,175,000;
 - Winding-Up Budget (Standing Down MPs) - £5,177,750;
 - Winding-Up Staff Redundancies (Defeated MPs) - £3,000,000;
 - Winding-Up Staff Redundancies (Standing Down MPs) - £422,689;
 - Winding-Up Accommodation (Defeated MPs) - £516,250; and
 - Winding-Up Accommodation Rental (Standing Down MPs) - £326,958.
237. The budgeting models used to produce the figures included in the Estimate are set out at **Appendix D**.
238. In comparison to the expenditure in the Estimate, the actual total expenditure under these headings was £8,011,100, which equates to 45.5% of the budgeted amount.²⁸ Across every category the actual expenditure was lower than the Estimate forecast by a significant margin.
239. **Figure 21** below shows the actual expenditure as a proportion of the budgeted costs in the Estimate by category.
240. The deviation between budgets and actual cost is partly the result of a lower than expected turnover in the number of MPs. This accounts almost entirely for the difference in forecast redundancy costs for defeated MPs. The budgeting model gave High, Mid and Low turnover estimates (245, 195 and 145 respectively). To ensure sufficient funds were available the Estimate budgeted according to the High turnover value. The actual turnover fell between the Mid and Low values. This does not, however, account for the full extent of the difference between forecast and actual expenditure.

²⁷ Independent Parliamentary Standards Authority, *Main Estimate 2015-16, Supply Estimates*, (<http://parliamentarystandards.org.uk/transparency/IPSA%20corporate%20reports%20%20publications/Annual%20Reports.%20Corporate%20Plans%20and%20Estimates/Main%20Estimate%202015-2016.pdf>)

²⁸ This is lower than the total expenditure given at paragraph 39 due to £2,351,000 relating to staff redundancies for MPs who had confirmed in 2014/15 that they would stand down at the General Election being accrued for in the 2014-15 Annual Accounts at the advice of the National Audit Office and not, therefore, included in this like-for-like comparison.

Figure 21 – Winding-Up actual expenditure against 2015-16 Estimate

241. A number of assumptions made in the budget modelling for the Estimate were not borne out in practice.
242. The Estimate assumed that all departing MPs would spend their entire Winding-Up budget when in fact they spent only 58.7% on average. This is close to MPs who left office during the course of the Parliament, for whom only approximately 50% of the respective Winding-Up budgets were spent; however, this was not taken into account in the Estimate budget model.
243. The Estimate assumed that all departing MPs would spend the equivalent of two month's London Rental Accommodation budget met from the Contingency Fund. This is inconsistent with its own turnover assumptions which expected 17% of departing MPs to be London Area and not, therefore, eligible for any Accommodation costs. And it did not account for the fact that only slightly more than 50% of non-London MPs have London rental accommodation.
244. In practice 110 MPs (60.4%) incurred accommodation costs under this heading and on average spent the equivalent of 52.4% of the two months' London Rental Accommodation budget. However, 16 of these did spend more than the per capita forecast.
245. Forecasts for both Winding-Up Expenditure and accommodation included uplifts to London Area budgets that were not implemented.
246. Consequently the budget modelling assumptions and overall approach to forecasting Winding-Up costs could be considered to be overly cautious. However, this was the first time this exercise had been undertaken and the new data can inform the process in future. No funding is retained by either IPSA or MPs, so there is no loss to the taxpayer.

Staffing Costs

247. The majority of costs associated with resolving an MP's parliamentary affairs, as with all aspects of MPs' business costs and expenses, relate to staffing. These consist of:
- payments of salaries and incidental expenses for staff employed to assist in winding-up;
 - redundancy payments for all staff with at least two years' service;
 - pay for holiday that has been accrued but not used; and
 - payments in lieu of notice for staff who are not required by the MP or not able to work their full notice period.
248. Salary payments during the winding-up period are based on existing contractual terms and it is at an MP's discretion how long they keep on staff to assist in winding-up their office. This amounted to a total cost of £5,095,500 for 182 MPs. These costs are taken from the capped Winding-Up Expenditure budget.
249. Payments for redundancy and in lieu of notice are considered in detail below.

Redundancy payments:

250. All staff employed by an MP who stood down from Parliament or who was defeated in the election must be made redundant as a result of their employer's loss of office.
251. In instances of redundancy, staff with continuous employment of at least two years were entitled to receive a redundancy payment under the terms of their employment contracts as follows;²⁹
- staff employed under IPSA contracts received twice their statutory redundancy entitlement; and
 - staff employed since before 8 May 2010 under House of Commons issued contracts received their statutory redundancy entitlement.
252. In total £4,397,400 was paid in redundancy payments as a result of MPs leaving office at the General Election. £2,052,300 of this relates to additional redundancy afforded by the double statutory redundancy terms in IPSA issued contracts.
253. As a consequence of the employment relationship existing between the staff member and the individual MP, should a staff member be made redundant and begin work for a different MP with little or no break in service, this is a separate employment and does not infringe on their entitlement to a redundancy payment.

²⁹ *Employment Rights Act 1996*, s 135-154 (<http://www.legislation.gov.uk/ukpga/1996/18/part/X>). Additional information can be found at <https://www.gov.uk/redundant-your-rights/redundancy-pay>.

254. Redundancy payments to staff were reviewed to identify the level of redundancy paid were there was little or no break in service. The findings are as follows:
- 125 out of 610 staff who received redundancy payments entered into a new employment with a different MP within 10 weeks.
 - The redundancy payments for these staff totalled £975,000, 22.3% of the total cost of redundancy.
 - In 76 cases there was no break in employment at all, and in 8 of these cases the new employment began before the original employment had ceased.
 - Additional information is provided in **Figure 22**.
255. It should be noted that, while MPs' staff receive redundancy payments calculated based on the statutory entitlements for employees as specified in their employment contracts, they do not have a statutory entitlement to redundancy payments under the Employment Rights Act 1996.³⁰
256. MPs' staff are excluded from the right to redundancy payments under section 159 of the Act as their employment is employment in a public office as defined under section 39, sub-section 1.2 of the Superannuation Act 1965.³¹
257. The availability of redundancy payments for staff who are re-employed with little or no break in service could, consequently, be withdrawn through an amendment to contractual terms, even though employments with different MPs are distinct.

Figure 22 – Staff receiving redundancy with a break in service of less than 10 weeks

Number of Staff	Break in Service	Average Redundancy Payment	Total Redundancy Payments
8	Overlap in service	£3,200	£25,300
67	No break in service	£8,800	£596,100
29	1 – 14 days	£8,500	£246,200
11	15 – 28 days	£6,400	£70,500
10	29 - 70 days	£4,300	£42,900

Payments in lieu of notice:

³⁰ *Employment Rights Act 1996*, s 159 (<http://www.legislation.gov.uk/ukpga/1996/18/section/159>).

³¹ *Superannuation Act 1965* s 39 (<http://www.legislation.gov.uk/ukpga/1965/74/section/39>).

258. Where a staff member is made redundant the MP, as their employer, must issue notice.
259. MPs' staff contracts specify notice periods of between 4 and 12 weeks (this has reduced to 4-8 weeks for staff beginning employment after the 8 May 2015. Staff on House of Commons' contracts may have notice periods of up to 13 weeks.
260. Section 86 of the Employment Rights Act 1996³² sets minimum notice periods for termination of employment by an employer. The statutory notice supersedes the contracted notice period if it is of greater length.
261. If a former MP does not require a staff member to work their entire notice period or their notice period extends beyond the last day on which they are permitted to employ staff (the last day of the winding-up period), they may grant a payment in lieu of notice (PILON) for some or all of the staff member's notice period. This payment is at the normal rate for the staff member's salary and is taxed as if a normal salary payment. It is not included in the tax free redundancy amount.
262. In total, £647,700 was paid to 289 staff members through PILON. Payments ranged between £50 and £10,000 for periods between 0.7 and 84 days.
263. The Members' HR Advice Service at the House of Commons provided MPs with advice on their obligations as an employer with regard to issuing notice and IPSA provided MPs with guidance on when they ought to issue notice to staff based on notice periods and final leave dates.
264. Since MPs are the employers, only they can issue notice to their staff. Should MPs fail to issue notice in a timely manner, or should they wish to pay staff PILON despite having adequate time to issue notice (either as a financial reward or otherwise) these amounts remain eligible to be funded by IPSA even though they could be considered avoidable.
265. All PILON costs incurred through winding-up were reviewed.³³ The amounts paid and the contract terms of staff in receipt of payment were analysed to assess the impact of late issuance of notice and the impact of MPs setting notice periods that may be up to 11 weeks longer than the statutory requirement.
266. Two calculations were performed to determine the level of PILON that could be considered avoidable. Both calculations assumed that MPs who stood down had sufficient time to issue notice that no PILON was unavoidable and that MPs who were defeated could issue notice on 8 May.³⁴
267. A lower-estimate was produced on the basis that no PILON should be paid after the last day of winding-up, unless required by the staff member's contracted or statutory notice period. An upper-estimate was produced on the basis that no PILON should be paid after the staff member's last day of service, unless required by their contracted or statutory notice period.

³² *Employment Rights Act 1996*, s 86 (<http://www.legislation.gov.uk/ukpga/1996/18/section/86>). Additional information can be found at <https://www.gov.uk/redundant-your-rights/notice-periods>.

³³ PILON incurred through winding-up was interpreted as PILON paid to staff of standing down MPs who were made redundant on or after the date of dissolution (30 March) and staff of defeated MPs who were made redundant after the date of the General Election (7 May).

268. This resulted in a range of £379,800 to £435,200 in PILON that was avoidable. This is between 58.6% and 67.2% of all PILON paid.
269. Additionally the cost of PILON payments made was recalculated assuming statutory, rather than contracted notice periods to assess the higher cost of allowing MPs discretion to set notice periods for their staff. The cost of PILON payments exceeding statutory requirements was £117,500 or 18.1% of all PILON paid.

Holiday pay:

270. Where a staff member is made redundant and has not used their entire leave allowance for the year they are entitled to be paid for any accrued leave that is not taken, paid at their normal hourly rate. Payments are subject to tax and National Insurance.
271. In total £743,200 was claimed by 161 MPs for unused holiday by 651 staff. Individual payments ranged from £9 to £5,500 and the average payment was £1,100. This equates to approximately 8,600 days of unused holiday entitlement, an average of 13 per staff member.
272. There are no restrictions on carrying untaken leave over from one year to the next and this is entirely subject to individual agreement between the MP and the staff member. Consequently there is no theoretical upper limit to the amount of holiday pay that can be claimed by a staff member upon being made redundant and so staff can claim up to their maximum holiday entitlement for their entire employment without supporting evidence.
273. Since we do not hold staff leave records for MPs staff we have no evidence against which to assess or corroborate the amounts of untaken holiday that were paid to these staff. However, an initial review has indicated that 10 staff were paid for more holiday than they could have accrued given their length of service.

Staff expenses:

274. Within the Winding-Up budget there is also facility for MPs to claim for incidental expenses incurred by their staff while assisting in the closing down of the office.
275. 5 MPs claimed for a total of £5,300 under these rules relating to travel, subsistence and professional services. However, £4,600 of these costs, claimed by one MP, related to services provided by a connected party (as defined under 3.15 of the *Scheme*) and were not therefore eligible to be claimed. Details of these claims have been passed to the Operations Team for recovery.

Office, Travel and Accommodation Costs

276. Claims for costs associated with the closure of the MPs' offices, the vacation of any rented accommodation, and related travel where subject to review under the routine MP Validation process.
277. This expenditure was not subjected to further review within the scope of this report.
278. It was, however, noted that classification of expenses under the Winding-Up budget contained a number of inconsistencies and errors, which could adversely impact how MPs claim and how claims are assessed. These include:
- no facility to claim mileage requiring MPs to calculate mileage rates manually and consequently no enforcement of specified mileage rates; and
 - duplication of 10 expense types.

Other Costs

279. In addition to the expenditure outlined above, a further £33,700 of other costs was incurred. This included £14,600 in ongoing disability assistance claimed from the Miscellaneous Expenditure budget in accordance with paragraph 8.10 of the *Scheme*.
280. The remainder consisted of costs allocated to the Accommodation, Office Costs Expenditure or Travel and Subsistence budgets after the Winding-Up period had ended.
281. This included £12,500 in office and accommodation rental payments that were claimed after Winding-Up had ended but with the approval of IPSA. This only covers costs incurred after the 8 July that were not allocated to the respective MPs' Winding-Up budgets. Rental payments made before the 8 July but relating in part or in whole to the period after will be included with the totals for Winding-Up expenditure.
282. It also included £5,200 in Employment Liability Practice insurance policies that were erroneously purchased for 9 former MPs. The MPs were not removed from the list of policies to be automatically renewed annually. The details of these costs have been passed to the Operations Team so that a refund can be sought from the supplier.
283. The final £2,200 was made up of costs incurred before the Winding-Up period ended but with the transaction incorrectly listed as after the Winding-Up period ended, resulting in the costs being taken from a different budget. Details of these claims were passed to the Operations Team for correction.

Appendix A

Resettlement Arrangements

- A1. MPs receive a salary for holding public office but are not entitled to any form of redundancy payment when they leave office. In place of redundancy, alternative resettlement arrangements have existed to provide MPs with financial support when they leave office. These are as follows:
- up to and including the General Election on 6 May 2010, all MPs who left office could claim a Resettlement Grant from the House of Commons;
 - at the General Election on 7 May 2015, MPs who stood for re-election but were not returned received a Resettlement Payment from IPSA; and
 - at General Elections after the 7 May 2015, MPs who stand for re-election and are not returned will receive a Loss of Office Payment from IPSA.
- A2. The terms of these alternative schemes are set out below.

Resettlement Grants up to 6 May 2010:

- A3. Any MP leaving office at the time of a General Election was entitled to claim a Resettlement Grant. However, the grant was not paid automatically and not all former MPs chose to claim it.
- A4. The grant was a varying proportion of annual salary calculated on the basis of age and length of unbroken service at the date of Dissolution. The table below shows the percentage of annual salary payable.

		Percentage of Annual Salary						
		Completed Years' Service						
Age		Under 10	10	11	12	13	14	15 or over
Under 50		50	50	50	50	50	50	50
50		50	50	52	54	56	58	60
51		50	52	55	58	62	65	68
52		50	54	58	63	67	72	76
53		50	56	62	67	73	78	84
54		50	58	65	72	78	85	92
55 to 64		50	60	68	76	84	92	100
65		50	58	65	72	78	85	92
66		50	56	62	67	73	78	84
67		50	54	58	63	67	72	76
68		50	52	55	58	62	65	68
69		50	50	52	54	56	58	60
70 or over		50	50	50	50	50	50	50

Resettlement Payments on 7 May 2015:

- A5. Any MP who lost their seat at the General Election on 7 May 2015 was eligible to receive a Resettlement Payment.
- A6. To qualify the individual must have been an MP on the day before the dissolution of Parliament and a candidate for re-election to the same seat, but not re-elected.
- A7. Any MP who stood down at the Election did not receive a Resettlement Payment.
- A8. The amount of the Resettlement Payment was one calendar month's salary (at the rate payable to the MP immediately before polling day) for each completed year of service subject to a maximum payment equal to six months' salary.

Loss of Office Payments after 7 May 2015:

- A9. Any MP who loses their seat at a General Election after the 7 May 2015 will be eligible to receive a Loss of Office Payment.
- A10. To qualify the individual must be an MP on the day before the dissolution of Parliament and be a candidate for re-election to the same seat, but not re-elected.
- A11. Any MP who stands down at the Election will not receive a Loss of Office Payment.
- A12. The Loss of Office Payment will be equal to double the prevailing statutory redundancy entitlement.
- A13. Currently statutory redundancy rates are calculated as follows:
 - half a week's pay for each full year worked under the age of 22;
 - one week's pay for each full year worked under the age of 22 or older, but under 41; and
 - one and half week's pay for each full year worked under the age of 41 or older.
- A14. Length of service is currently capped at 20 years and weekly pay is capped at £475. The maximum amount of statutory redundancy pay is £14,250. Consequently the maximum an MP can receive is £28,500 after 20 years' continuous service.
- A15. Further information about statutory redundancy pay can be found at www.gov.uk/redundant-your-rights/redundancy-pay.

Appendix B

Campaign Expenditure

Political Parties, Elections and Referendums Act 2000

SCHEDULE 8

CAMPAIGN EXPENDITURE: QUALIFYING EXPENSES

PART I

QUALIFYING EXPENSES

Expenses qualifying where incurred for election purposes

1. For the purposes of section 72(2) the expenses falling within this Part of this Schedule are expenses incurred in respect of any of the matters set out in the following list.

LIST OF MATTERS

- (1) Party political broadcasts.

Expenses in respect of such broadcasts include agency fees, design costs and other costs in connection with preparing or producing such broadcasts.

- (2) Advertising of any nature (whatever the medium used).

Expenses in respect of such advertising include agency fees, design costs and other costs in connection with preparing, producing, distributing or otherwise disseminating such advertising or anything incorporating such advertising and intended to be distributed for the purpose of disseminating it.

- (3) Unsolicited material addressed to electors (whether addressed to them by name or intended for delivery to households within any particular area or areas).

Expenses in respect of such material include design costs and other costs in connection with preparing, producing or distributing such material (including the cost of postage).

- (4) Any manifesto or other document setting out the party's policies.

Expenses in respect of such a document include design costs and other costs in connection with preparing or producing or distributing or otherwise disseminating any such document.

- (5) Market research or canvassing conducted for the purpose of ascertaining polling intentions.

- (6) The provision of any services or facilities in connection with press conferences or other dealings with the media.

- (7) Transport (by any means) of persons to any place or places with a view to obtaining publicity in connection with an election campaign.

Expenses in respect of the transport of such persons include the costs of hiring a particular means of transport for the whole or part of the period during which the election campaign is being conducted.

- (8) Rallies and other events, including public meetings (but not annual or other party conferences) organised so as to obtain publicity in connection with an election campaign or for other purposes connected with an election campaign.

Expenses in respect of such events include costs incurred in connection with the attendance of persons at such events, the hire of premises for the purposes of such events or the provision of goods, services or facilities at them.

Exclusions

2. (1) Nothing in paragraph 1 shall be taken as extending to—

- (a) any expenses in respect of newsletters or similar publications issued by or on behalf of the party with a view to giving electors in a particular electoral area information about the opinions or activities of, or other personal information relating to, their elected representatives or existing or prospective candidates;
- (b) any expenses incurred in respect of unsolicited material addressed to party members;
- (c) any expenses in respect of any property, services or facilities so far as those expenses fall to be met out of public funds;
- (d) any expenses incurred in respect of the remuneration or allowances payable to any member of the staff (whether permanent or otherwise) of the party; or
- (e) any expenses incurred in respect of an individual by way of travelling expenses (by any means of transport) or in providing for his accommodation or other personal needs to the extent that the expenses are paid by the individual from his own resources and are not reimbursed to him.

- (2) Sub-paragraph (1)(a) does not apply in relation to any expenses which are incurred—

- (a) in respect of newsletters or similar publications issued by or on behalf of a party with a view to giving electors in a particular electoral area information about the opinions or activities of, or other personal information relating to, a member of the European Parliament elected in Great Britain (including the combined region) or existing or prospective candidates for such election; and
- (b) within the period of four months ending with the date of the poll for an election to the European Parliament.

Appendix C

Election Expenses

Representation of the People Act 1983

SCHEDULE 4A ELECTION EXPENSES

PART 1 LIST OF MATTERS

1. Advertising of any nature (whatever the medium used). Expenses in respect of such advertising include agency fees, design costs and other costs in connection with preparing, producing, distributing or otherwise disseminating such advertising or anything incorporating such advertising and intended to be distributed for the purpose of disseminating it.
2. Unsolicited material addressed to electors (whether addressed to them by name or intended for delivery to households within any particular area). Expenses in respect of such material include design costs and other costs in connection with preparing, producing or distributing such material (including the cost of postage).
3. Transport (by any means) of persons to any place. Expenses in respect of the transport of such persons include the costs of hiring a means of transport for a particular period.
4. Public meetings (of any kind). Expenses in respect of such meetings include costs incurred in connection with the attendance of persons at such meetings, the hire of premises for the purposes of such meetings or the provision of goods, services or facilities at them.
5. The services of an election agent or any other person whose services are engaged in connection with the candidate's election.
6. Accommodation and administrative costs.

PART 2 GENERAL EXCLUSIONS

7. The payment of any deposit required by rule 9 of Schedule 1 to this Act.
8. The publication of any matter, other than an advertisement, relating to the election in—
 - (a) a newspaper or periodical;
 - (b) a broadcast made by the British Broadcasting Corporation or by Sianel Pedwar Cymru;
 - (c) a programme included in any service licensed under Part 1 or 3 of the Broadcasting Act 1990 or Part 1 or 2 of the Broadcasting Act 1996.

9. The provision of any facilities provided in pursuance of any right conferred on candidates at an election by this Act other than facilities in respect of which expenses fall to be defrayed by virtue of sections 95(4) and 96(4) above.
10. The provision by an individual of his own services which he provides voluntarily in his own time and free of charge.
11. (1) Accommodation which is the candidate's sole or main residence.
(2) The provision by any other individual of accommodation which is his sole or main residence if the provision is made free of charge.
12. (1) Transport by a means of transport which was acquired by the candidate principally for his own personal use.
(2) Transport provided free of charge by any other individual if the means of transport was acquired by him principally for his own personal use.
13. (1) Computing or printing equipment which was acquired by the candidate principally for his own personal use.
(2) The provision by any other individual of computing or printing equipment which was acquired by the individual principally for his own personal use if the provision is made free of charge.

Appendix D

Winding-Up Budget Modelling

B1. The 2015-16 Estimate included the following provisions for Winding-Up costs under Subhead A:

- The underlying calculations and assumptions are outlined below

	Defeated MPs	Standing Down MPs	Returning MPs	New MPs	TOTAL
Winding-Up Budget	£8,175,000	£5,177,800	-	-	£13,352,800
Winding-Up – Staff Redundancies	£3,000,000	£422,700 ³⁵	-	-	£3,422,700
Winding-Up – Accommodation Rental	£516,300	£327,000	-	-	£843,200

B2. Turnover assumptions (high turnover; 17% London Area; 83% non-London Area):

	HIGH	MID	LOW	FINAL ASSUMPTION
Defeated MPs	150	100	60	150
London	22	15	9	22
Non-London	128	85	51	128
Standing Down MPs	95	95	85	95
London	14	14	13	14
Non-London	81	81	72	81

³⁵ This equates to the forecast of £2,474,000, less £2,051,300 relating to staff redundancies for MPs who had confirmed in 2014/15 that they would stand down at the General Election which could be accrued for in the 2014-15 Annual Accounts.

B3. Winding-Up budget assumptions (all MPs spend maximum available budget; London Area budget uplifted by 1%):

	Non-London	London	Total
Defeated MPs			
Budget	£53,950	£57,700	n/a
Total	£1,269,400	£6,905,600	£8,175,000
Standing Down MPs			
Budget	£53,950	£57,700	n/a
Total	£807,800	£4,370,000	£5,177,800

B4. Staff redundancy cost assumptions (4 staff per MP; £5,000 average redundancy per defeated MPs; same average redundancy per undeclared standing down MPs as per declared standing down MPs):

	MPs	Average Redundancy Costs	Total Redundancy Costs
Defeated MPs			
Estimated	150	£5,000	£3,000,000
Standing Down MPs			
Declared	78	£6,216	£2,051,300
Additional Estimated	17	£6,216	£422,700

B5. Winding-Up accommodation assumptions (all MPs spend equivalent of two months' London Rental Accommodation budget, budget uplifted by 0.25%):

	MPs	Budget	Pro-rated Budget (2 Months)	Total
Defeated MPs	150	£20,650	£3,433	£516,300
Standing Down MPs	95	£20,650	£3,433	£327,000
