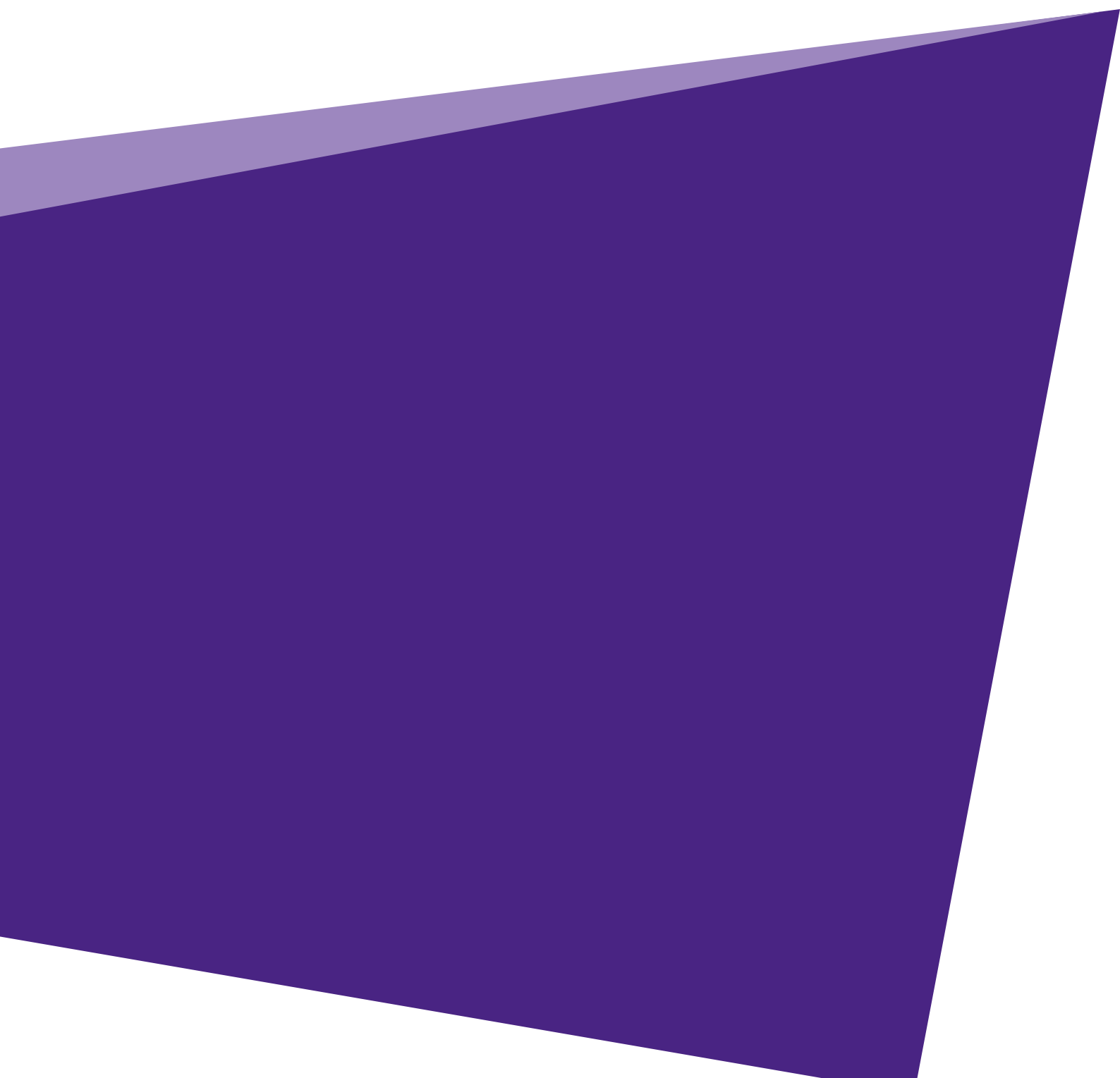


Annual Report and Accounts 2012–2013



Independent Parliamentary Standards Authority

Annual Report and Accounts for 2012-13

Presented to Parliament pursuant to Schedule 1 of the Parliamentary Standards Act 2009.
Ordered by the House of Commons to be printed on 10 July 2013

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This publication can be downloaded from www.parliamentarystandards.org.uk.

ISBN: 9780102984194

Printed in the UK by The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office.

ID 2562747 07/13

Printed on paper containing 75% recycled fibre content minimum.

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IPSA in numbers

In 2012-13 we:

- 1 Handled **198,000** claims for business costs and expenses, of which **99.46%** were paid correctly.
- 2 Paid reimbursable claims within an average of **9.6** working days, improving on our target of 12 working days.
- 3 Paid business costs and expenses to the value of nearly **£25m** to MPs and their staff.
- 4 Received, on average, nearly **420** phone calls each week, answering nearly 22,000 calls over the year.
- 5 Handled over **21,000** written enquiries from MPs and their staff – and responded to 95.4% within 5 working days.
- 6 Published details of some **192,000** claims, with an accuracy rate of over 99.99%.
- 7 Processed an average monthly payroll for **3,700** MPs and their members of staff, including 1,403 new starters and 1,061 leavers, and with an accuracy rate of **99.91%**.
- 8 Ran **2** public consultations, including two online surveys to which we received nearly 750 responses.
- 9 Answered **186** requests under the Freedom of Information Act.
- 10 Ensured the online costs and expenses system was available for **99.8%** of the time.

Chair's Introduction



This has been an important year for IPSA. In our first two years, we focused on establishing a new scheme of business costs and expenses and providing a good level of administrative performance. In our third year, following Parliament's extension of our remit, we continued to refine this scheme, but also started a national debate on the remuneration package which MPs should receive.

In January 2013, the term of office for my four fellow Board members expired, and we welcomed their successors. I would like to put on record my thanks to the retiring members for the outstanding work they did to establish IPSA and to put in place, from scratch, a regulatory and administrative regime in which all can have confidence. I thank, too, those who have joined the Board for the speed with which they have familiarised themselves with the journey we have made to date and their work to understand the issues with which we will be dealing over the coming year and beyond.

On behalf of Board members past and present, I would also like to thank all those who work in IPSA for their continuing dedication and professionalism. It is hard not to lapse into cliché but we simply could not have made the progress we have – rapid beyond expectations – without the talented colleagues on whom the Board relies for impartial advice, effective implementation of our decisions and smooth delivery of IPSA's administrative functions.

In 2012 we started the most extensive consultation since IPSA was established, on the remuneration package which MPs should receive. We spoke to the public, to MPs and to experts in many fields. We looked in detail at what other countries do. We used all methods at our disposal to communicate to as wide an audience as possible. Our initial consultation in the autumn, based on this work, allowed us to establish a framework of analysis which forms the basis of the second, more specific consultation which will very shortly be under way.

During the year, the Information Commissioner issued a Decision Notice in relation to a particular FOI request that we should provide a number of receipts accompanying MPs' claims for reimbursement. We appealed against this decision. Why did we do so? First, we already provide transcripts of almost all the information contained in receipts to those who request them. Thus, the Scheme is transparent. Second, we decided when we established the Scheme that we would publish a full database of information about MPs' claims for business costs, which we have done every two months since 2010. The database is searchable and information can be analysed: neither of these is possible by simply having hundreds of thousands of images of receipts. Third, we would need to remove personal data from the receipts before we published them. Our view is that the implication of this decision is that we would be required to publish all receipts. Publication of receipts would cost an estimated £3,500,000 of public money over the next three years. This would be an extraordinarily high price for the taxpayer to pay for no appreciable increase in transparency.

We have continued to bear down on IPSA's costs, with our Estimate for 2012-13 more than 5% lower than for 2011-12. We achieved this while continuing to meet our operational performance indicators.

As we look ahead, we will complete our review of the package of remuneration which MPs receive and announce the outcome. We will make our decisions independently, taking into account the evidence gathered and the views expressed. One matter which has emerged during our review which we feel demands urgent attention is the extent to which the role of MPs, particularly in Westminster, is poorly understood by the general public. While it is not IPSA's role to solve this, we would be keen to work with others in communicating what is the role of a modern MP.

As regards significant projects to be undertaken in 2013-14, we will undertake a thorough review of the arrangements for MPs' residential and office accommodation and complete our planning for the General Election planned for 2015. We will do all these things while, of course, continuing to meet our responsibilities in administering the *MPs' Scheme of Business Costs and Expenses*.

Professor Sir Ian Kennedy,
Chair, IPSA



1

Annual Report

Section 1. Chief Executive's Report

A. Summary

- 1 This report covers activities undertaken by IPSA during the financial year 2012-13. This was IPSA's third year of existence and its second full year of operation.
- 2 In the previous year, 2011-12, IPSA carried out its second comprehensive review of the *MPs' Scheme of Business Costs and Expenses* ("the Scheme"), with a focus on MPs' staffing requirements. Parliament also expanded IPSA's remit by giving us responsibility for setting MPs' pay and pensions. Pending a comprehensive review of MPs' remuneration, we announced that we would be continuing the pay freeze for MPs and increasing their pension contribution rates by 1.85 percentage points. We introduced a number of important adjustments in the administration of the Scheme aimed at improving the experience of users and we exceeded our operational Key Performance Indicators.
- 3 In 2012-13, we have built on this progress. At the start of the year, we published our revised Corporate Plan covering the period 2012-2016. This set out our strategy and corporate objectives, the detailed plans for delivering them and performance measures against which our progress could be judged. It also set out the following aims for 2012-13:
 - to conduct a thorough review of MPs' pay and pensions, including wide engagement with the public;
 - to continue to take account of the needs of MPs in carrying out their parliamentary duties and, as appropriate, to adjust the provisions of the Scheme and our administration to meet these needs;
 - to maintain the accuracy and quality of our existing systems and to realise the benefits of previous improvements in administration;
 - to bring down our operational costs in line with our savings targets without compromising public trust or damaging the quality of administration;
 - to ensure that our staff are able to carry out our roles of regulation and administration to the highest standards.
- 4 Our strategy and objectives are summarised in Section 2. The report below is structured around the objectives and plans set out in the Corporate Plan, and each part covers associated performance targets. It also explains how we have achieved our aims for the year set out above. In summary, key outcomes in 2012-13 were:
 - In the first half of the year we carried out extensive research and engagement with the public and specific interest groups on MPs' pay and pensions. We completed a 'green paper' consultation in December 2012, which allowed us to identify the

IPSA Achievement

In 2012-13, we shifted the focus to MPs' pay and pensions, while completing a third full review of the Scheme of business costs and expenses and continuing to exceed our operational KPIs.

specific proposals which will form the basis of a second consultation.

- We completed the third full review of the Scheme. This focused in particular on the budget for MPs' residential accommodation in the London area. The IPSA Board concluded that, taking account of the responses received, as well as the evidence gathered, the Scheme is working well and that only minor adjustments were necessary. It decided that MPs' residential accommodation budgets should remain largely unchanged. A full review of residential accommodation is scheduled for 2013-14.
 - We continued to operate stable and reliable administrative processes, exceeding our Key Performance Indicators for the reimbursement of expenses, responses to correspondence, payroll accuracy and the accurate publication of expenses. We also made progress against our objective of realising the benefits of previous improvements in administration: 54% of purchases are now made without MPs paying for them initially from their own funds, against 39% in 2011-12.
 - We continued to bear down on costs with both our Estimate and our outturn for 2012-13 showing real terms reductions over the previous year.
- 5 The terms of office for the four ordinary Board members expired in January 2013 and none chose to seek re-appointment. Information about the four new Board members is at Section 2.
- 6 Looking ahead, our main priority in 2013-14 is to complete the review of MPs' pay and pensions. As explained in the report below, our plans for the year are subject to the outcome of our appeal

against a decision by the Information Commissioner about the publication of receipts. If the decision is upheld, our view is that we would be required to publish all receipts. This would require a major change to our business plan and significant additional funding.

B. Objective 1: Independent, fair and effective regulation

- 7 IPSA's key regulatory objective is to achieve a stable and long-term settlement in relation to pay and pensions, business costs and expenses. In our first two years, we focused on ensuring the *MPs' Scheme of Business Costs and Expenses* allowed MPs to be appropriately reimbursed for the costs and expenses they incurred, while meeting the public's desire for clear, fair, enforced rules. The Scheme has now been reviewed on three occasions. Following the expansion of IPSA's remit in 2011 to cover MPs' pay and pensions, our focus therefore shifted in 2012-13 to our goal of ensuring that MPs' overall remuneration is appropriate for their role.

Pay and pensions

- 8 IPSA received the power to determine MPs' pay in May 2011, and the power to determine pensions in October 2011. In 2012-13 we began a wide-ranging review of MPs' pay and pensions. The review is looking at MPs' remuneration in the round and is also considering the long-term arrangements for resettlement payments made to MPs who leave Parliament.
- 9 In advance of the review, we announced in January 2012 that we would be continuing the pay freeze for MPs and increasing pension contribution rates by 1.85 percentage points. The pension contribution rate increase was implemented in April 2012. At the same

time, we also implemented an interim resettlement payment arrangement, which provides for MPs to receive a payment if they fight and lose their seat at a General Election.

- 10 The IPSA Board initiated the review of pay and pensions in April 2012 with a workshop to scope the work required and consider some of the issues. The results of this informed the first phase of the work, which involved extensive research and informal consultation. Activities during April to July included:

- extensive consultation with the public via blogs on our website by IPSA Board members, IPSA staff and other public figures; website forums, a 'month of ideas', opinion polls and tweets; and around twenty local radio phone-ins. We also held a number of focus groups and citizens' juries, where members of the public were briefed on the issues before being invited to debate them and offer views;
- engagement with MPs, subject matter experts and other opinion-shapers, including representatives from business, the public sector, academia, the third sector and civil society. This included establishing a panel of experts, with whom we met a number of times, holding seminars with the Institute for Government and the University of Oxford, and meetings with the Trustees of the Parliamentary Contributory Pension Fund;
- a review of recent studies on the role of an MP;
- evidence gathering from the UK Devolved Administrations and from over 20 foreign governments to inform an analysis of international and domestic comparators;

- commissioning a briefing from reward and remuneration consultants on current trends in remuneration packages;
- commissioning the Government Actuary's Department to carry out modelling work on a range of potential pension schemes; and
- an analysis of the history of MPs' pay against average earnings and the cost of MPs' remuneration on a macro-level.

IPSA Achievement

IPSA completed the first phase of a fundamental evidence-based review of MPs' pay and pensions, carrying out extensive research and completing a 'green paper' consultation. The aim is, for the first time, to determine an approach for the long term, with a clear rationale and which commands public confidence.

- 11 Given the complexity of the issues and extent of interest, IPSA decided to extend the subsequent formal consultation period to allow it to consult in two phases: a 'green paper' consultation in the Autumn of 2012, inviting views in response to a wide range of open questions, followed by a more focused consultation on a range of specific options in 2013.
- 12 The green paper consultation document was prepared during summer 2012, drawing on the engagement and research activities carried out from April to July. It was launched on 15 October 2012 and the consultation closed on 7 December. It included a short-term proposal to increase MPs' pay by 1% in 2013-14 and 2014-15. During the consultation period, we continued to engage with

key stakeholders and the public, with the aim of encouraging a good range of responses. This included meetings with groups of MPs, a second workshop with the Institute for Government and Oxford University and meetings with the leaders of civil society groups. Debate on Twitter and our website continued.

- 13 We received almost 700 responses to our consultation and survey. The IPSA Board considered these and issued a report on the consultation and decisions about next steps via the *Framework for Further Consultation*, which was published in January 2013. The report identified the key areas for IPSA to focus on during the next phase of the review of pay and pensions, including comparisons with other jobs, affordability, public opinion, what the connection should be between pay and pensions, and whether to move to a career-average pension scheme, in line with the rest of the public sector. The Board also concluded that performance-related pay, regional pay or pay which takes account of outside earnings did not warrant further consideration. The IPSA Board confirmed that it would be following the rest of the public sector by increasing MPs' pay by 1% in April 2013 and 1% in April 2014.
- 14 As part of our work to understand different views on MPs' remuneration, we also commissioned an anonymised survey of MPs. The results of the survey of MPs were published at the same time as the report. These showed that a majority of respondents thought MPs should be paid more, while views on pensions were split.
- 15 The terms of office for the four ordinary members of the IPSA Board expired in January (see page 29).

IPSA Fact

Early in 2013, IPSA decided to increase MPs' pay by 1% in April 2013 and April 2014, in line with the rest of the public sector.

- 16 In February and March 2013, IPSA started the process of preparing for the next consultation by holding two workshops with new Board members. The white paper consultation document will be published in July 2013.
- 17 The consultation will close in October 2013. We will then analyse the results before the IPSA Board takes final decisions on pay levels, future pension arrangements and resettlement payments. We expect to announce these decisions towards the end of 2013, for implementation from the start of the next Parliament which is expected in May 2015.

MPs' Scheme of Business Costs and Expenses

- 18 The Fourth Edition of the *MPs' Scheme of Business Costs and Expenses* came into effect at the beginning of April 2012. Following an in-depth thematic review of MPs' staffing arrangements in 2011, we concluded that the budget limit should be increased to allow MPs to employ 4 rather than 3.5 full-time-equivalent staff. Aside from staffing issues, the changes were mostly refinements of the existing Scheme.
- 19 The main area of the Scheme reviewed in 2012-13 was residential accommodation expenditure in the London area. This was in response to concerns expressed by MPs that they were unable to find a one bedroom flat close to the Palace of Westminster within the budget of £20,000 (which is based on £1,450 a month for rent, plus £2,600 a year for associated

expenditure, eg utilities etc). We also looked again at the rules in a limited number of other areas, including travel and subsistence, office costs expenditure and 'winding-up' budgets.

20 As with previous reviews, IPSA sought the views of the public, MPs and other interested parties. Formal consultation on a number of proposals took place over ten weeks between November 2012 and January 2013. As well as receiving 25 written responses, we conducted an online survey, which received 145 responses. We also conducted an Equality Impact Assessment (EIA) of the existing Scheme and the proposals made in the consultation paper. The response rate to the consultation and online survey was significantly lower than in previous years. We believe this is because the Scheme is well-established and MPs and their staff have a good understanding of the rules and budgets.

21 The IPSA Board decided not to increase the rental element of the residential accommodation budget for MPs given the overall availability of properties across London. In reaching this view, the Board noted that a wider review of MPs' accommodation was planned for 2013-14 (see para.24). Evidence from the Valuation Office Agency (VOA), an executive agency of HM Revenue and Customs, on private rental market costs across London showed that the existing budget was sufficient to rent a one bedroom flat across Greater London, although the availability of properties within budget close to Westminster was more limited. The budget designated for associated expenditure (covering utility costs etc) across all the rental budgets in London and elsewhere, was increased by £100 to reflect inflation. The Board also decided the budget for associated expenditure for MPs who live in their own home should

remain the same, and that IPSA would publish the names of the tenant and landlord where MPs rent from other MPs.

22 A number of other refinements were made to the existing Scheme, including the following: the office costs and winding-up budgets were increased to reflect inflation; administrative obligations were introduced to ensure that MPs wind up their affairs before they can receive any resettlement payment to which they may be entitled; and some minor adjustments were made to the types of journeys for which MPs may claim.

23 The Fifth Edition of the *MPs' Scheme of Business Costs and Expenses* was published on 13 March 2013 and came into effect on 1 April 2013, meeting our performance target. The report on the consultation and the EIA were published with the new Scheme.

Thematic review of MPs' accommodation

IPSA Fact

IPSA will review the arrangements for MPs' accommodation in 2013-14.

24 In 2012, we carried out some initial research on the arrangements for MPs' accommodation. In March 2013, we consulted the Board on the launch of a formal review in 2013-14. The Board agreed there should be reviews both of MPs' domestic accommodation requirements, and of their arrangements for renting constituency offices, where the initial focus will be on renting from political parties.

Assurance

25 As part of our regulatory responsibilities, we have continued to maintain a rigorous

assurance programme. Our Assurance and Review Team monitored regularly business costs and expenses payments, and carried out a series of reviews, including studies of payroll adjustments and of all 'not paid' claims (ie claims not passed for payment, for example because they are outside the terms of the Scheme or lack supporting evidence). Assurance programme findings confirm that IPSA processing error rates are low and that there is a very high level of compliance with the Scheme rules by MPs.

- 26 The National Audit Office (NAO) acts as our external auditor and we worked closely with them as part of the audit process for 2011-12 and 2012-13. This included producing a set of accounts for the period April to December 2011, which allowed them to provide feedback on issues to take into account for the final audit of 2011-12 which took place early in 2012-13. Our accounts for that year were subsequently signed without qualification by the Comptroller and Auditor General and laid before Parliament in July 2012.
- 27 The NAO made a number of helpful recommendations in their post-audit report and we have continued to work closely with them throughout the year on implementing these. As in the previous year, this included producing a set of accounts for the period April to December 2012. This again provided valuable feedback which we were able to take into account for the final audit early in 2013-14.
- 28 Internal audit services were provided during the year by PricewaterhouseCoopers (PwC). As well as conducting an advisory review of the contract in place with IPSA's IT provider, they completed planned assurance reviews of key access controls over IPSA's IT systems and the process

for the validation of MPs' business costs and expenses, focussing on new payment methods provided for MPs and the streamlining of claim reviews. In addition, a review of IPSA's assurance requirements was conducted. In the light of this, the Accounting Officer agreed the recommendation that IPSA should move to a 'co-sourced' internal audit service with effect from 1 April 2013. As part of this, at the end of March 2013 the Accounting Officer appointed the Head of Assurance and Review as the Head of Internal Audit and Assurance to manage the internal audit service which will be supported by external providers.

- 29 An overpayment to a supplier in July 2012, though immediately repaid, highlighted a control weakness in IPSA's financial management framework. (Further information about this is contained within the Governance Statement at Part II.) Management conducted a review of the core financial controls in place and took a number of immediate actions. To reinforce this work, we also asked internal audit to conduct its own independent review. An integrated plan to strengthen the controls over the way that IPSA manages its finances was agreed and further actions implemented as a priority.

IPSA Achievement

Our regulatory and administrative processes have ensured risk to the taxpayer has been minimised – in 2012-13, just 0.02% of claims were paid in error.

- 30 Based on evidence we accumulated on compliance and results of tests carried out in the preceding year, in 2012-13 we fully implemented streamlined processes that allow us to focus on areas where risks are potentially higher, while still ensuring that funds are used

appropriately within the framework of the established rules. We also continued to develop our analysis of data to underpin our assessment of risk-based assurance.

- 31 During the course of the year we carried out an analysis of rental accommodation data and hotel costs. We also conducted an analysis of mileage and telephone costs to support the Accounting Officer's overall assurance over the controls in place, which was completed just after the end of the reporting period.

C. Objective 2: Workable and transparent systems support the schemes

- 32 IPSA pays the salaries of MPs and their staff, and operates the system for paying MPs' business costs and expenses. In doing this, we seek a balance between maintaining public confidence and simplifying processes to minimise the administrative burden on MPs. We have a number of strategic goals over the period of the current Corporate Plan. These include: processing claims quickly and accurately; demonstrating stable and reliable processing times; continuing to pay salaries to MPs and their staff accurately and on time; reducing the time MPs spend claiming expenses; and reducing the extent to which MPs' costs need to be met initially from their own resources.
- 33 Within this context, our key aims for 2012-13 were to maintain the accuracy and quality of our existing systems and to realise the benefits of earlier improvements in administration. We made good progress against both our longer term strategic goals and our aims for 2012-13.

IPSA Facts

Stretching operational performance targets were set and exceeded in 2012-13:

- reimbursable claims were paid within an average of 9.6 working days [Target: less than 12 working days];
- reviews as part of our assurance and review programme identified 0.54% of processed claims as errors [Target: less than 1%];
- over 95.4% of correspondence items were resolved within 5 working days [Target: more than 90%];
- an accuracy level in published information on MPs' claims of over 99.99% was achieved [Target: more than 99.75%];
- payroll accuracy levels were 99.91% [Target: more than 99.75%].

Payroll

- 34 IPSA managed an average monthly payroll of 3,700 (compared to 3,400 in the previous year), and paid the salaries of MPs and their staff on time each month throughout the reporting period. During the year, 1,403 new MPs' staff joined the payroll and 1,061 left it. We achieved a payment accuracy level of 99.91%, exceeding our target of 99.75%.
- 35 As proposed in our Corporate Plan, during the year we created a new Staffing Expenditure Report for MPs. This allows MPs quickly to see how much they have spent on staff and how much they are forecast to spend in the remainder of the year. We also introduced self-service online timesheets for MPs' staff, streamlining for those concerned the process of confirming the number

of hours they have worked. Both these measures have assisted MPs and their staff. They also reduce demands on IPSA's staff, allowing them to focus on other priorities.

- 36 An initial assessment was made of the potential to provide other HR self-service facilities to MPs and their staff, but in light of other pressures, a full scoping exercise in this area is planned for 2013-14.

Claims processing

- 37 IPSA processed 198,000 claims for business costs and expenses during the year. We have met each of our three targets in this area:
- reimbursable claims for business costs and expenses were paid within an average of 9.6 working days, exceeding our target of 12 days;
 - our quality control activities found that errors were made in only 0.54% of validation decisions, against a target of less than 1%;
 - 95.4% of correspondence items were resolved within 5 working days, against a target of more than 90%.

Our MP Support Team dealt with 21,985 calls (an average of 422 weekly) and 21,218 emails, which was broadly equivalent to volumes in the previous year. We held two 'drop-in' events for MPs and their staff, to answer questions and offer them support in how to use the systems.

- 38 In August 2012, the transitional arrangement under which MPs who were claiming the mortgage interest subsidy in the last Parliament could continue to claim it came to an end. MPs claiming the subsidy whose properties increased in

value were required to pay to the taxpayer that part of the increase attributable to public funding. IPSA managed the process of ensuring that MPs who had been claiming the subsidy obtained a valuation from a surveyor registered with the Royal Institution of Chartered Surveyors and then paid any capital sums owed. Just after the end of the reporting period, IPSA published the outcome of this exercise, which confirmed that the 71 MPs who claimed mortgage interest had claimed just over £925,000. £389,000 of the almost £485,000 due to the taxpayer from capital gains has been repaid. £42,000 of the remainder is subject to agreed repayment schedules with MPs.

Administration improvements

- 39 In line with the commitments set out in our Corporate Plan, we delivered a number of improvements in our administrative processes during the year to support MPs to carry out their parliamentary functions. These included:
- completing the implementation of a risk-based approach to validating claims (in line with a recommendation from the NAO's 2011 value-for-money report), thereby improving the speed with which MPs are reimbursed. We also established the optimal level of automation to support our validation processes, and a project to implement the approach was completed just after the end of the reporting period;
 - introducing the facility for MPs to order stationery via the web, removing the need for them to make a separate claim or use their own money to pay for these sorts of office supplies;
 - administering a facility for MPs to opt to buy employment practice liability

insurance, the cost of which we paid to the provider direct; and

- improving the guidance for MPs on our website and enhancing the search facilities.

40 Looking ahead, we continued our planning for the next General Election. We produced a Handbook covering all aspects of the election process and drafted most of the communications we will need at the time of an election.

41 As well as supporting MPs, the changes outlined above have also helped IPSA become more efficient. This dimension is covered below under Objective 4.

Encouraging take-up of administration improvements

IPSA Achievement

Over the past two years we have delivered a range of facilities to reduce the proportion of business costs and expenses which need to be funded from MPs' own pocket. These have borne fruit: in 2010-11, 85% of purchases had to be funded initially by MPs; by 2012-13, this proportion had fallen to 23%.

42 A key objective for IPSA in 2012-13 has been to encourage take-up of administrative improvements made in previous years. As noted above, this will support MPs to carry out their parliamentary functions. We also aim to reduce the proportion of business costs and expenses which need to be funded in the first instance from MPs' own resources before being reimbursed.

43 Actions to deliver these objectives have included promoting the facilities available at drop-ins, raising awareness at the MPs' Staff User Group (see below)

and 'advertising' on payslips. We have focused in particular on communicating the expanded range of goods and services which MPs can purchase using the IPSA payment card. This, along with the direct payment options for rent, rail tickets and stationery, has helped reduce significantly the proportion of goods and services which need to be purchased by MPs using their own funds. Nearly four-fifths of expenses and business costs can now be paid direct to suppliers by IPSA.

44 We also increased take-up of the available options. In 2012-13, 54% of goods and services were purchased using the payment card or direct payment options, compared to 39% in 2011-12. By the end of the year, over two thirds of all MPs were using the new online facilities for ordering stationery and printer cartridges.

45 Our performance target in this area was to reduce the value of claims funded through reimbursement from the baseline for 2010-11 reported in the NAO's 2011 value for money report of 50% of salary after deductions. This target was met (even taking into account the general increase in claims). Our figures suggest that, on average, there has been a reduction of some 11 percentage points in the proportion of an MP's net income which is currently spent on goods and services for which she or he needs to be reimbursed. As well as the direct payment options outlined above, we continued to offer a £4,000 loan and advances for individual purchases to help MPs manage their cash-flow.

46 There remains scope for further progress on this front and priorities in 2013-14 include continuing to promote take-up of options which allow direct payment of rail tickets and stationery. We will also continue to promote awareness of other

administration improvements, eg the simplified option for claiming mileage.

Engaging with MPs on administration

- 47 Throughout 2012-13, we consulted MPs on a regular basis about our administration and systems. We did so through the IPSA-MP Liaison Group, and the drop-ins organised and staffed by our MP Support Team. During the year, we also created a new engagement channel, in the form of the user group for MPs' staff, which met twice during the year. We used feedback from all these meetings to improve our operational delivery.
- 48 In 2011, as part of their value for money audit of IPSA, the NAO carried out a survey of MPs on both our regulatory and operational activities. In June 2012, we carried out a further survey of MPs, focused on their views of our administration. The results were encouraging with 50% of respondents saying they were spending less time claiming and over 60% saying that recent improvements had made it easier to claim. However, a number of MPs still felt further simplification was required. The results are on our website. We are conscious that there is more to do and we will draw on the results when we are planning changes to processes and system upgrades. We will also repeat the survey in 2013.

D. Objective 3: Build public confidence in IPSA's execution of its duties

- 49 In the aftermath of the expenses scandal, IPSA was created to establish a new system governing MPs' business costs and expenses to help restore confidence in MPs and in Parliament. IPSA's approach has been to set clear rules, following consultation with the public, and to publish the details of all claims

made – this is, we believe, the best way to restore trust. In 2012-13, in addition to our work on MPs' business costs and expenses, we also began a review of MPs' pay and pensions which will, for the first time, lead to MPs' remuneration being set independently.

Publication

IPSA Achievement

We publish details of MPs' business costs and expenses every two months on our website (with annual data for the previous year published in September). So far we have published details of 403,000 individual claims, providing a high level of transparency. The information is published in a clear, accessible and searchable format.

- 50 We met our performance target of publishing claims on a bi-monthly basis throughout the year; and in September 2012 we published annual data for 2011-12, setting out each MP's business costs and expenses. During the year we published details of more than 192,000 claims with a value of nearly £25 million. We also maintained high levels of accuracy: over 99.99% of claims were published without error, against a target of at least 99.75%.
- 51 Early in 2012, we reviewed the usability and presentation of published data and introduced a range of improvements, including additional search methods, a new tool to extract bulk data quickly and easily, interactive maps with details of constituencies and more user-friendly presentation. These went live early in 2012-13.

IPSA's operations and performance

- 52 We are transparent about our performance. During the year we published performance against key targets on a monthly basis on our website. In total, we received 186 Freedom of Information (FOI) requests. Overall, we experienced a sharp increase in the number of FOI requests received as against 2011-12 (98 in total). We responded to each of the 35 requests we received on IPSA's operation and performance within the deadline of twenty working days. We also publish minutes of meetings of IPSA's Board on our website.

Appeal against Decision Notice by Information Commissioner

- 53 We consider every request made to us under the *Freedom of Information Act* on a case-by-case basis. In October 2012, the Information Commissioner published a Decision Notice in respect of a complaint, requiring us to release three individual receipts in support of a number of expense claims. We are committed to transparency, and we believe that our current approach is both transparent and cost-effective. We publish details of all claims on a regular basis on our website in a format which is both accessible and searchable. We also provide more detailed transcripts on request containing all the key data.
- 54 Our view is that the implication of the Decision Notice is that we would be required to publish all receipts. During the course of the year, we commissioned work to establish the cost and estimate that it would cost in excess of £3.5million over the next three years to implement the necessary systems and to publish legacy receipts, and then £890,000 each year thereafter in running costs. We

do not consider this to be a good use of taxpayers' money. We appealed the Decision Notice and are currently part-way through the appeal process.

IPSA Fact

In 2012-13 IPSA received nearly double the number of FOI requests (186) received in the previous year (98). We requested a Supplementary Estimate to provide the resources to deal with this surge.

- 55 In light of the sharp increase in FOI requests during 2012-13 and the need to prepare for the possible requirement to publish receipts (which would cover both the back catalogue and the future flow of receipts), in December 2012 we sought a Supplementary Estimate for £365,000. This was used to employ temporary resources to answer FOI requests, to start a project to put in place new IT arrangements to automate the process of assembling data used in responses to FOI requests, and to commission the work on the costs and contingency planning for the publication of receipts.

Engagement with the public

- 56 As outlined under Objective 1, we carried out a number of activities to engage with and hear the views of the public about MPs' remuneration. We carried out surveys, held focus groups and citizens' juries, contributed to a number of radio phone-in programmes around the UK and promoted online discussion of the topic.
- 57 More formally, we consulted on the review of the *MPs' Scheme of Business Costs and Expenses*.
- 58 In May 2011, as part of their value-for-money audit, the NAO commissioned a question in an Ipsos MORI General Public Omnibus Survey and asked the public

whether they felt the situation with MPs' expenses had improved or deteriorated over the preceding year. 55% said they thought it had got better, with 14% believing it had got worse.

- 59 Our target in this area is for increased levels of public confidence in the regulation of MPs' business costs and expenses. Our survey, conducted in February 2013, found that 38% thought the situation with MPs' expenses had improved, 64% thought the money spent monitoring MPs' business costs and expenses was worth spending and 42% thought MPs could now claim for legitimate costs only.
- 60 These results show that, while progress has been made in some areas, public confidence remains fragile. Given the scale of distrust caused by the expenses scandal, it was never going to be a quick process to regain public confidence. It seems certain that renewed media interest in MPs' expenses – much of it about cases from before May 2010 – has influenced public perceptions.
- 61 In addition to our regular engagement with the public and others, we will also be carrying out a survey of website users.

E. Objective 4: Build a cost-effective organisation with engaged and motivated staff

IPSA Fact

IPSA has a clear strategy and a detailed rolling four year Corporate Plan, setting out its plans and its annual performance targets (KPIs).

- 62 In 2011-12 we focused on developing the organisation in ways which ensure its long-term sustainability. To achieve this we prioritised two areas: maximising value for money through a systematic review across all areas of our business, and developing our people. In 2012-13,

we continued to focus on developing our people and delivering efficiency improvements.

Value for money

- 63 In June 2012 our Estimate of the resources we needed for 2012-13 was approved by the Speaker's Committee for IPSA (SCIPSA). This included a reduction of 6% over the previous year for the amount needed to fund our own operating costs. The actual expenditure on operating costs for 2012-13 was 3% lower than in 2011-12. This lower figure reflects a one-off under-spend in 2011-12 caused by the postponement of building works while we continued to search for a tenant for part of our accommodation.
- 64 These savings reflect a number of efficiencies made in 2011-12 and during the reporting period. In 2012-13 we:
- sub-let part of our accommodation, which we expect to yield savings of over £500k within the remaining period of the lease (to March 2015);
 - completed (just after the end of the reporting period) work to automate elements of our claims validation process; and
 - as set out above, delivered a range of operational improvements, including:
 - offering MPs the ability to purchase stationery online (which has reduced our processing costs as well as saving MPs time by removing the need for them to submit a separate claim);
 - introducing a 'self-service' report allowing MPs to review current and projected spend on staffing; and
 - introducing online timesheets for MPs' staff.

- 65 In IPSA's first year of operation when we were setting up the organisation, staff numbers averaged 83, before dropping to 62 in 2011-12. As a result of the efficiencies we made during 2011-12 and 2012-13, our staffing levels fell to 50 by the end of the year. Through a combination of voluntary exit, turnover and the end of fixed-term appointments and secondments, we were able to achieve these reductions without compulsory redundancies.
- 66 As set out in Part 2, outturn on our operational budget was £5.865m against our Estimate of £5.983m.

People

- 67 Our business plan for 2012-13 identified as a continuing priority the need to develop an inclusive culture that attracts, retains and develops high-quality staff. Building on progress made in 2011-12, we have continued to implement a range of policies to realise this objective.
- 68 During the year we completed a review of our *Equal Opportunities Policy*. Our aim is to create a workplace which respects differences, and recognises the unique contributions which people make. To support this, a senior manager led a workshop for all colleagues to help them understand each other's working styles. The Chief Executive also spoke on a regular basis about the impact which his disability has had on his life. As at 31 March 2013, 44% of staff were male and 56% female, and 20% of employees were from an ethnic minority background.
- 69 In 2012-13 the sickness absence rate was 3.41%. This equates to an average number of days absent for each employee of 7.5. Excluding long-term absence, the sickness absence rate was 1.97%.

IPSA Fact

IPSA has an integrated approach to developing its staff, starting with an annual assessment of business and individual need, through putting in place resources (including funding and access to learning resources), to evaluation of impact.

- 70 As part of IPSA's performance management system, all staff identify their work and development objectives at the start of the year in conjunction with their managers. Staff and their managers then review progress against these on a regular basis, before an annual assessment of performance is completed at the end of the year. At the beginning of 2012-13, we systematically assessed people's development needs, by reviewing the key challenges in the Corporate Plan and drawing on the results of the 'bottom-up' exercise to assess development objectives. We drew up a detailed development plan based on these priorities and objectives and set aside a dedicated development budget.
- 71 We undertook a number of development activities, ranging from IPSA-wide events to team development and individual activities. These included training colleagues in 'testing' techniques and supporting a number of colleagues to gain the PRINCE 2 project management qualification. We assess the impact of these activities at the individual and organisation level and have already seen them bear fruit. For example, during the year we were able to carry out user-testing of systems changes without the support of a contractor.
- 72 We continued to implement the multi-skilling project which started towards the end of 2011-12. Desk instructions were updated and continued to be produced in line with changes to processes. We also

trained people to provide cover in other areas of the business.

- 73 Teams across IPSA hold regular team meetings. These are used to discuss team-level issues and the Chief Executive and senior managers also use them to talk about key business issues. There are also a number of organisation-wide channels, including the Chief Executive's weekly 'drop-ins', and his informal weekly meeting with all staff.
- 74 To measure our progress on engagement, we carried out a staff survey in September 2012. This showed a drop in engagement levels in some areas. In response to the survey, we developed a plan to respond to a number of issues raised. This included a workshop with the whole team to consider our values, additional action to encourage the take-up of learning and development opportunities and the introduction of a regular weekly newsletter.
- 75 The absence of an HR Manager for part of the year meant that progress in some areas was more limited than we had hoped. The development of a long-term reward strategy and a review of our succession planning arrangements will be considered in 2013-14. In common with other public sector bodies, IPSA operated a pay freeze for its staff in 2012-13.

F. Looking ahead

- 76 2013-14 will be a year marked by three dominant themes:
- concluding and communicating the review of MPs' pay and pensions;
 - maintaining high levels of accuracy as regards the administration of the Scheme; and
 - planning and preparation, in advance of the General Election.

77 Key planned activities in 2013-14 are to:

- complete our review of MPs' pay and pensions and announce the outcome. Wide engagement with the public will continue, including work to develop a greater level of understanding about the role of MPs;
- carry out a thematic review of MPs' residential accommodation requirements and the arrangements for renting offices from political parties;
- review our publication policy and implement any changes;
- complete our planning for the General Election in 2015, and review and plan for changes to our IT and accommodation arrangements, when current contracts come to an end (also in 2015);
- continue to demonstrate stable and reliable processing times and to improve awareness and take-up of existing facilities, in order to drive down costs and the time spent by MPs and their staff claiming business costs and expenses;
- provide accurate payments and advice;
- strengthen our internal financial controls and introduce further improvements to our accounting systems;
- continue to reduce costs; and
- maintain our focus on giving our staff the opportunity to develop new skills, and take a number of actions to increase staff engagement.

- 78 Our plans are set out in more detail in our Corporate Plan, which can be found on our website:
www.parliamentarystandards.org.uk

Section 2. IPSA – who we are and what we do

- 1 This section provides information on the statutory framework under which IPSA was created. It also sets out our vision and values, our current strategy and our four corporate objectives. It then provides information on members of the Board and IPSA's senior staff.

A. Statutory framework

- 2 The Independent Parliamentary Standards Authority (IPSA) is a statutory body, independent from Parliament, Government and political parties. It was established by the *Parliamentary Standards Act* (PSA), which passed into law on 21 July 2009. Parliament legislated to establish IPSA following the outcry after details of MPs' expenses claims were made public, first in the press and subsequently by the House of Commons. The Act was introduced by the previous Government, but also received the support of the two largest parties then in opposition.
- 3 IPSA's primary functions as set out in the Act were:
 - setting and regulating a scheme of expenses for MPs;
 - administration of that regime; and
 - payment of salaries of MPs and their staff.
- 4 Following a series of recommendations from the Committee on Standards in Public Life, the then Government, with the support of the two parties that now form the current administration, agreed to make early revisions to the PSA. Those revisions were made through the

Constitutional Reform and Governance Act 2010 (CRAG), which received Royal Assent on 8 April 2010. The principal additional function passed to IPSA by that Act was responsibility to determine MPs' salaries and pension arrangements.

B. Vision and values

- 5 IPSA's vision and values are as follows:

Vision

IPSA will have realised its goal when there is sustained public confidence in the way in which MPs are funded from the public purse.

Mission

IPSA will:

- develop a settlement for MPs' business costs, expenses, pay and pensions which properly supports them in their parliamentary functions and serves the interests of the public; and
- build an independent organisation which sets itself, and demonstrates, the highest standards in public service. IPSA will be consultative and open in its approach.

Values

All that we do in IPSA – acting as a regulator, administering the Schemes¹, or running our own organisation – will be shaped by five values:

¹Schemes refer to the existing *MPs' Scheme of Business Costs and Expenses* and will in due course refer also to the Pay Scheme and Pensions Scheme.

- **Independence:** we will maintain our independence and stand firm on what we judge to be right;
- **Honesty:** we will demand high standards of propriety and honesty of ourselves and all those with whom we do business;
- **Openness:** we will work in the open, listening to others and sharing our expertise and information, while observing our obligations to those whose personal data we hold;
- **Accountability:** we expect to be held accountable for the economic, effective and efficient use of public funds and for our actions and, similarly, we expect MPs to be held to account for the funds they receive; and
- **Fairness:** we expect the same qualities of honesty, openness and accountability from ourselves and from those for whom we administer the Schemes.

C. Strategy

- 6 The new Board decided in March 2013 to continue with the strategy below, pending a review in 2013-14.

IPSA's Strategy²

IPSA's general duties are set out in the PSA 2009, as amended by the CRAG 2010:

- 1 In carrying out its functions the IPSA must have regard to the principle that it should act in a way which is efficient, cost-effective and transparent.

2

In carrying out its functions the IPSA must have regard to the principle that members of the House of Commons should be supported in efficiently, cost-effectively and transparently carrying out their Parliamentary functions.

The legislation also gives IPSA four regulatory functions:

- the preparation and maintenance of a scheme of rules to govern the payment of expenses and costs;
- the publication of claims;
- the determination of MPs' pay; and
- the setting of a scheme for MPs' pensions.

The strategy below addresses the manner in which these duties are to be carried out and is derived from IPSA's vision and values.

IPSA's strategy is based on meeting its four key objectives:

To provide independent, fair and effective regulation, that

- meets the public interest in ensuring that MPs' overall remuneration is appropriate for their role as legislators and elected representatives;
- ensures MPs are appropriately reimbursed for their legitimate business costs and expenses; and
- achieves a stable settlement relating to pay, pensions, business costs and expenses.

²The Strategy assumes the agreement by the Speaker's Committee of IPSA's annual Estimate sufficient to allow it to fulfil its duties as both regulator and administrator. Key Performance Indicators identifying the performance required and progress in meeting them will be reported regularly and published on IPSA's website.

To deliver workable and transparent systems that support the Schemes

- thereby providing financial support to enable MPs to carry out their parliamentary duties, in parallel with increased public confidence; and
- that are underpinned by an approach to risk that is proportionate and reflects emerging evidence³.

To build public confidence in IPSA's execution of its duties through

- contributing to the restoration of the public's confidence in Parliament; and
- building IPSA's profile as an efficient and effective regulator and deliverer of services, protecting the public purse.

To build a cost-effective organisation with engaged and motivated staff

- with constant attention to delivering efficiency and cost-effectiveness in all we do, achieving savings over the period of the Strategic Plan.

In achieving its strategic objectives:

- IPSA recognises the importance of developing a constructive relationship with MPs and their staff;
- IPSA will actively engage with the public to promote informed debate and will seek to develop channels by which public opinion may be heard;

- IPSA will maintain communications and regularly seek the views of various audiences interested in and affected by its actions – the public, MPs, their staff and the media; and
- IPSA will continue to seek to deliver schemes and systems that are fair, workable and transparent.

Business costs and expenses

The Scheme of business costs and expenses will:

- become increasingly streamlined and simple to operate both for MPs and IPSA;
- be increasingly based on direct payments to suppliers, not needing to be made personally by MPs and then reclaimed;
- make clear where business costs are incurred by MPs in the running of their offices and where expenses are incurred by MPs in the fulfilment of their duties; and
- be less prescriptive and rule-based, over time providing MPs with increased discretion in how money is spent.

Evidence will continue to be required to support claims, but will increasingly be provided through suppliers of goods and services rather than the MP wherever this is possible, commensurate with the need for assurance and cost-effectiveness.

IPSA's aim is to provide a cost-effective approach which meets the needs of MPs.

³The Board's agreed statement on risk appetite appears in IPSA's Annual Report and Accounts for 2011-12. The Board is due to review its risk appetite during the course of 2013-14.

Publication of claims, as part of IPSA's statutory obligation to have regard to the principle of transparency, will continue to balance assurance and accuracy against cost. We believe that our approach gives proper weight to this principle while also reflecting our concurrent duties regarding value for money.

IPSA will seek the views of the public, MPs and their staff in relation to their satisfaction with the Scheme and its operation on a regular basis, will publish the results of what is learned and will make appropriate adjustments to its rules and their operation where indicated, consistent with considerations of transparency and value for money.

Pay and pensions

MPs' pay is set by IPSA.

IPSA's review of pay and pensions has involved active engagement with the public, MPs and expert practitioners. IPSA will conclude the consultation process on pay and pensions in 2013.

IPSA will carry out research on, among other things, comparators and their relative usefulness, both in the UK and internationally, and any further devolution of powers to national assemblies and parliaments within the UK.

IPSA will aim to consider the level of MPs' pay and of MPs' pensions in the round, as a whole remuneration settlement.

Compliance

IPSA's Board, while respecting the independence of the Compliance Officer, will exercise its statutory duty of superintendence in relation to operating procedures and the resources required by the office.

The Board will receive regular reports from the Compliance Officer and review his Office's performance by reference to agreed performance indicators and in the light of considerations of value for money, proportionality and deterrence of improper behaviour.

D. IPSA's Board

- 7 Schedule 1, Part 1 of the PSA, as amended by the *Budget Responsibility and National Audit Act 2011*, stipulates the constitution of the IPSA Board membership as follows:
 - 1 The IPSA is to consist of the following members –
 - (a) one member who is to chair it ('the chair') appointed in accordance with paragraph 2, and
 - (b) four other members (referred to in this Schedule as 'ordinary members') appointed in accordance with that paragraph.
 - 2 At least one of the members of the IPSA must be a person who has held (but no longer holds) high judicial office (within the meaning of Part 3 of the Constitutional Reform Act 2005 (c. 4)).
 - 3 At least one of the members of the IPSA must be a person who is eligible for appointment as a statutory auditor by virtue of Chapter 2 of Part 42 of the Companies Act 2006.

- 4 One of the members of the IPSA ('the Parliamentary member') must be a person who has been (but is no longer) a member of the House of Commons.
 - 5 Apart from the Parliamentary member, a person who has been a member of the House of Commons at any time within the last five years may not be a member of the IPSA.
- 8 The Chair and Members of IPSA to 10 January 2013 were as follows:
- Chair:
Professor Sir Ian Kennedy
- Former holder of high judicial office:
The Rt Hon Sir Scott Baker
- Registered Auditor:
Professor Isobel Sharp CBE
- Former Member of Parliament:
Jackie Ballard
- Ken Olisa OBE**
- On 10 January 2013, the terms of office for the four ordinary members of the Board expired and none chose to seek re-appointment. Following an open recruitment process, conducted by an independent panel, four new Board members were selected by the Speaker, with the agreement of the Speaker's Committee for IPSA. They were appointed by Her Majesty on an address of the House of Commons and took up office on 11 January 2013.
- 9 The Chair and Members of IPSA at 31 March 2013 were as follows:

Chair: Professor Sir Ian Kennedy

Sir Ian is a lawyer who, for the past few decades, has lectured and written on the law and the ethics of healthcare. He is also Emeritus Professor of Health Law, Ethics and Policy at the School of Public Policy, University College of London and Visiting Professor at the London School of Economics. He has been involved in public life for 25 years, earning a reputation for safeguarding the interests of members of the public in healthcare. He was Chairman of the Healthcare Commission, the health services public watchdog, from its creation in 2004 until its abolishment in 2009. During his time at the Commission, Sir Ian worked to improve standards across the NHS through access to information and knowledge for patients, clinicians and managers. He is, perhaps, best known as the leader of the public enquiry into the deaths in children's heart surgery at the Bristol Royal Infirmary (1998-2001). This report contributed to the establishment of the Healthcare Commission in 2002. He also chaired the Nuffield Council on Bioethics and is currently Chair of the UK Research Integrity Office, whose remit covers the proper conduct of research in universities and other research organisations.

Former holder of high judicial office: Sir Neil Butterfield

Neil Butterfield was called to the Bar in 1966, became a QC in 1985 and was the Presiding Judge of the Western Circuit from 1997-2000. He served as a High Court Judge sitting in the Queen's Bench Division from 1995-2012. At the request of the Economic Secretary to the Treasury and the Attorney General in 2003, he conducted a Review of Criminal Investigations and Prosecutions conducted by HM Customs and Excise. He is a member of the Parole Board, to which he was appointed in 2003 and of which he became Vice-Chairman in 2004.

Registered Auditor: Anne Whitaker

Anne Whitaker has served as a non-executive director and then Chair of Whipps Cross University NHS Trust: following the creation by merger of Barts Health NHS Trust she was appointed as a non-executive director of the new Trust and is chair of the remuneration committee. She was an audit partner for Ernst & Young, specialising in financial services, for twelve years. She was also Head of Audit for Financial Services at Ernst & Young from 2000 to 2004. Her voluntary sector interests include working with YourStory in Lambeth, an organisation which provides help in employment, criminal justice, education and sports and personal development and the MicroLoan Foundation, a microfinance organisation operating in Malawi, helping clients to build businesses.

Former Member of Parliament: Professor Tony Wright

Tony Wright was MP for Cannock and Burntwood, later Cannock Chase, from 1992-2010. During his Parliamentary career he served as Chairman of the Public Administration Select Committee and of the Select Committee on Reform of the House of Commons. Since retiring from the House in 2010 he has been appointed Visiting Professor in Government and Public Policy at University College London and as a Professorial Fellow in Politics at Birkbeck College. He is also a member of the advisory board of the Parliamentary and Health Service Ombudsman.

Elizabeth Padmore

Liz Padmore has been Chairman of Hampshire Hospitals NHS Foundation Trust since 2010 and was recently elected to the Foundation Trust Network Board representing Acute FTs. She is a member of the governing body of Green Templeton College Oxford, where she chairs the remuneration committee; a Director of Youth Business International, where she also serves on the audit committee and chairs the accreditation committee; a trustee and member of the finance and general management committee of Women for Women International; and a trustee and member of the finance and general purposes committee of the Ditchley Foundation. She is a co-founder and a member of the Global Board of Enablis, a not-for-profit organisation dedicated to creating a viable SME sector in Africa and South America. She was previously on the Council of Chatham House; a Director of National Australia Group Europe and Clydesdale Bank plc; and on the advisory board of IMD Business School (Lausanne). She has also previously worked for eleven years for Accenture, including from 2001-2006 as a Partner and Global Director for Policy and Corporate Affairs.

- 10 IPSA's Board is responsible for deciding the policies that form the *MPs' Scheme of Business Costs and Expenses*. The Board is also responsible for setting IPSA's strategic direction. The Board meets at least once each month. Minutes of Board meetings are published on IPSA's website. In December 2012, just before the four ordinary Board members left office, the Board held a meeting to consider 'lessons learned' from their term in office, which were shared with new Board members.

E. IPSA's senior management

- 11 IPSA's Senior Leadership Team is led by the Chief Executive who is responsible for delivery in line with the policy direction set by the Board. The Directors of IPSA during 2012-13 were as follows:

Andrew McDonald, Chief Executive, joined IPSA in September 2009 on secondment from the Ministry of Justice.

Paula Higson was contracted to be Interim Chief Executive for IPSA while the Chief Executive was undergoing a course of radiotherapy.

Bob Evans, Director of Finance and Corporate Services, joined IPSA in December 2010, having previously been Finance Director at the Serious Fraud Office, and resigned in December 2012.

Philip Mabe took up post as Acting Director of Finance and Corporate Services, pending a permanent appointment to the role. **Philip Lloyd** took up the permanent appointment on 27 March 2013.

Anne Power, Director of Communications, joined IPSA in September 2010 from the Foreign and Commonwealth Office on a fixed-term appointment of two years which came to an end in September 2012.

John Sills, Director of Policy and Communications, joined IPSA in February 2010 on a secondment from the Ministry of Justice. He took on responsibility for communications following Anne Power's departure.

Scott Woolveridge, Director of Operations, joined IPSA in October 2010 from the retail financial services sector on a fixed-term appointment of two years and left in June 2012. His responsibilities passed to the Head of the Validation and MP Support Team, who is a member of the Senior Leadership Team.

F. The Compliance Officer for IPSA

- 12 The *Constitutional Reform and Governance Act 2010* created provision for a new statutory office-holder, the Compliance Officer, whose principal functions are to investigate claims that an MP may have been paid an expense to which he or she was not entitled and, upon request to review a determination by IPSA to refuse an MP's expenses claim.
- 13 Following a competitive selection process, Peter Davis, a former police chief superintendent, took up post in December 2011.
- 14 The Compliance Officer reports to IPSA's Board and acts wholly independently of IPSA's executive. A separate report from the Compliance Officer is at Part III of this document.

Andrew McDonald
Chief Executive

1 July 2013

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Annual Accounts

Section 3. Statement of Accounts

A. Introduction

The statutory framework governing IPSA's accounts is set out in Section 4. The financial statements on pages 56 to 77 cover the financial year ending 31 March 2013. The IPSA accounts have been prepared to meet the requirements of the *Parliamentary Standards Act 2009* (PSA) and in accordance with the *Government Financial Reporting Manual* (FReM), as specified in the direction issued by HM Treasury.

B. Management commentary

The IPSA Estimate consists of five subheads:

- Subhead A which includes programme funding for MPs' salaries, MPs' staff salaries and MPs' business costs and expenses. This subhead was under-spent by 12% of the Estimate in 2012-13.
- Subhead B which contains IPSA's operational costs, including those of the Compliance Officer. This subhead was under-spent by 2% during 2012-13.
- Subhead C was created for the recruitment of a new Board in 2012-13. The recruitment process was the responsibility of the Speaker. This subhead was under-spent by 40%.
- Subhead D was created by the Supplementary Estimate sought in 2012-13 (see below) and is to hold costs for additional expenditure arising from *Freedom of Information Act* (FOIA) requests and from the Information Commissioner's decision that IPSA should publish receipts. This subhead was under-spent by 49%.

- Subhead E funds provisions and impairments which carry over across the year end. In 2012-13 this was used for the reversal of the previous year's early departure provisions.

Going concern note

The future financing of IPSA is met by grants of supply approved annually by Parliament. The Main Estimate for 2012-13 (HC396) was approved on 19 June 2013. Therefore, it is considered appropriate to adopt a going concern basis for the preparation of IPSA's accounts.

Investment and funding

As an independent public body, IPSA is accountable to Parliament for its expenditure. Parliamentary approval for its 2012-13 spending plans was sought through its Supply Estimate (HC342) presented to the House of Commons, specifying the estimated expenditure and requesting the necessary funds to be voted. In 2012-13 IPSA sought a Supplementary Estimate (HC971) to cover the costs of additional requests under the FOIA and the implications of the Information Commissioner's Decision Notice in October 2012. IPSA drew down voted funds during the year from the Consolidated Fund as required.

The Speaker's Committee, Chair and Members of IPSA

The Speaker's Committee for IPSA (SCIPSA) was established under the PSA. Its current members are: the Speaker, the Rt Hon John Bercow MP, the Rt Hon Andrew Lansley MP, Sir Bob Russell MP, the Rt Hon Nicholas Brown MP,

Laura Sandys MP, the Rt Hon Angela Eagle MP, Charles Walker MP and the Rt Hon Kevin Barron MP. In addition, the Committee has three lay members: Dame Janet Gaymer, Sir Anthony Holland and Elizabeth McMeikin.

The Committee has two key roles:

- a) it considers the candidates proposed by the Speaker for the posts of Chair and Members of IPSA before these candidates are appointed by Her Majesty the Queen on an address of the House of Commons; and
- b) it reviews IPSA's annual Estimate of the resources it needs, before the Estimate is laid before Parliament. Its aim in doing so is to ensure the Estimate is consistent with the efficient and cost-effective discharge of IPSA's functions.

Information about the Chair and Members of IPSA is at Section 2 in Part I.

Main activities and objectives

The Chief Executive's report at Section 1 of Part I contains a commentary on IPSA's main activities and objectives.

Governance

The PSA appointed the Comptroller and Auditor General, Head of the National Audit Office, as the external auditor for IPSA. As disclosed in the notes a total notional cost of £85,000 was incurred in the audit services provided by the Comptroller and Auditor General.

The internal audit service was provided by PricewaterhouseCoopers (PwC), who report to IPSA's Audit and Risk Committee.

IPSA has established governance procedures in line with HM Treasury and Cabinet Office guidelines, which are set out below in the Governance Statement.

Policy for payment of suppliers

IPSA's policy is to pay bills in accordance with contractual conditions or, where no such conditions exist, within 30 days of the receipt of goods and services or the presentation of a valid invoice, whichever is the later. During the past year, IPSA paid 97% of its invoices by value within the target period.

Climate change

The need to adapt to climate change is taken into account when IPSA is designing its policies. A risk assessment will be made of how climate change could affect a policy, programme or project. The depth of the assessment is proportionate to the costs, benefits and risks involved.

Sustainability

The sustainability report can be found at Annex A.

Rural Proofing

The *MPs' Scheme of Business Costs and Expenses* is designed to apply fairly to all constituencies across the United Kingdom and to take account of local needs. For example:

- the constituency travel budget is uncapped, so that MPs with long distances to travel are not at a disadvantage;
- IPSA allows MPs to claim for the rent of more than one constituency office if the geographical size of the constituency requires it.

The Scheme is reviewed annually and IPSA is aware that the rural impact needs to be understood and addressed when implementing any changes to ensure that MPs are able to work effectively for their constituents.

Personal data

Details of IPSA's information security policy and practice can be found in the Governance Statement below.

Pensions and staff-related issues

Permanent employees of IPSA are eligible for membership of the Principal Civil Service Pension Scheme. This includes a choice between a defined benefit scheme and stakeholder pension. Liability will rest with the Scheme and not with IPSA.

Remuneration for the Chair and Board of IPSA and for Lay Members of the Speaker's Committee is not pensionable. The pension arrangements for Civil Service staff on secondment to IPSA are dealt with by their seconding department.

Information about our approach to managing staff is contained in the section headed "People" in Section 1.

Events after the Reporting Period

There have been no events since the date of the Statement of Financial Position that would affect the financial statements for the year ended 31 March 2013.

Use of Resources

The following table compares the Estimate with the outturn for resource and capital

	Estimate	Outturn	Underspend/ (Overspend)
	£'000	£'000	£'000
MPs Business costs and expenses			
Subhead A (1)			
MPs salary	48,636	48,441	195
MPs staff salary and pensions	85,797	74,434	11,363
MPs expenses (capped) (1)	24,348	19,365	4,983
MPs expenses (uncapped) (1)	10,222	5,689	4,533
Winding up	0	142	(142)
Capital gains and Social Mobility Foundation income	(507)	(586)	79
Subtotal	168,496	147,485	21,011
IPSA Operating costs			
Subhead B (2)			
IPSA staff	2,965	2,846	119
Non-staff costs	2,176	1,983	193
Non-cash	898	1,092	(194)
Rental income	(56)	(56)	0
Subtotal	5,983	5,865	118
Subhead C (3)			
Recruitment of IPSA Board	100	60	40
Subtotal	100	60	40
Subhead D (4)			
Additional expenditure arising from FOIA requests and a recent Information Commissioner's Decision Notice	365	187	178
Subtotal	365	187	178
Subhead E (5)			
Provisions and impairments	1,000	(80)	1,080
Subtotal	1,000	(80)	1,080
Total Resources Estimate	175,944	153,517	22,427
Capital	2,167	323	1,844
Total Estimate	178,111	153,840	24,271
Net Cash Requirement	177,957	156,153	21,804

- (1) MPs' business costs and expenses are divided into capped budgets (principally accommodation, staffing and office-based costs) and uncapped budgets (travel and subsistence). In 2012-13 this Subhead also had income from capital gains and the Social Mobility Foundation. A detailed breakdown is shown in Note 7 to the accounts. This Subhead had a 12% underspend, mainly attributable to MPs' staffing expenditure.
- (2) IPSA's operating costs are in Subhead B of the Estimate which includes the Compliance Staff Cost. This is comprised of staff costs, non-staff costs which are set out in detail in Note 9 to the accounts and income relating to the sublet of IPSA's accommodation.
- (3) IPSA recruited a new Board in 2012-13. The recruitment costs are in Subhead C. The budget was ring-fenced and the recruitment process was managed by the Speaker.
- (4) IPSA has a new Subhead D for additional expenditure arising from FOIA requests and from the implications of the Information Commissioner's Decision Notice in October 2012. This subhead was 49% underspent, attributable to slippage of budgeted spend particularly in relation to legal costs and IT projects.
- (5) IPSA has Subhead E for provisions and impairments which carry over the year end. This year the provision was utilised for early departure costs.

On resource, capital and cash the actual requirement was less than unexpected. This was largely due to the fact that MPs did not spend increases in the MPs' staffing budget (£115,000 to £144,000 for London MPs and from £115,000 to £137,200 for outer London MPs).

Disclosure of audit information to the auditors

As far as the Accounting Officer is aware, there is no relevant audit information of which IPSA's auditors are unaware. The Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that IPSA's auditors are aware of that information.

Signed

Date: 1 July 2013

Andrew McDonald
Accounting Officer

C. Remuneration Report

The following information provides details of the remuneration and pension interests of IPSA's Board Members, IPSA's Directors and the Lay Members of the Speaker's Committee for IPSA (SCIPSA).

(1) Chief Executive

The Chief Executive, Andrew McDonald, was selected by a panel chaired by the Speaker of the House of Commons and was appointed to the post by the Speaker. The terms and conditions, including the salary, were approved by the Speaker with the salary being benchmarked against similar public sector roles.

(2) Chair and Board Members

Paragraphs 4(1) and 4(2) of Part 1, Schedule 1 of the *Parliamentary Standards Act 2009* (PSA) allow the appointment of a Chair and up to four Board Members, each for a term not exceeding five years, with the option for a single re-appointment for a maximum of three years (making eight years the maximum appointment). All appointments are made through fair and open competition and on merit.

The Speaker determines the daily rate for the members. IPSA procured advice from recruitment consultants, who carried out a bench-marking exercise of remuneration at comparable organisations. Their report and recommendations formed the basis of the remuneration rates. The remuneration for the Chair and Board Members is non-pensionable.

Chair – £700 per day

The anticipated minimum time commitment from the IPSA Chair is approximately two to three days per week but a greater commitment may be needed at certain times.

Board Members – £400 per day

The time commitment from the IPSA Board Members is approximately two to three days per month but, as for the Chair, a greater commitment may be needed at certain times.

(3) IPSA Staff

The PSA states that IPSA should have a Chief Executive Officer and other staff necessary to assist in discharging its functions. The Act further provides that the remuneration and other terms and conditions should be broadly kept in line with those applying to persons employed in the Civil Service.

A majority of IPSA's staff are directly employed by IPSA on either permanent or fixed-term contracts.

IPSA has a performance management system which ensures all employees have annual objectives which are reviewed on a bi-annual basis. In line with the public sector pay freeze IPSA did not issue any pay increases to employees in 2012-13. A remuneration strategy will be introduced in 2013-14.

The Chief Executive Officer is seconded from the Ministry of Justice. His level of remuneration is determined by his host organisation. The remuneration of all other senior managers is decided by the Remuneration Committee of the Board.

(4) Lay Members of the Speaker's Committee for IPSA

In addition to the executive and non-executive members of IPSA, IPSA is also responsible for paying the Lay Members of SCIPSA. The Committee considers the candidates proposed by the Speaker for the posts of Chair and Members of IPSA and reviews IPSA's annual Estimate of the resources it needs. The Lay Members are not employees of IPSA and are appointed under the PSA, as amended by section 27 of the *Constitutional Reform and Governance Act 2010*. The Lay Members are paid a rate of £300 per day.

The following tables provide details of the remuneration and pension interests of IPSA's Chair, Board Members and Directors, and of the Lay Members of SCIPSA. The information in the tables has been audited.

IPSA Chair and Board Members

Name	Appointed	Notice Period	End Date	Total Remuneration in 2012-13 £'000	Total Remuneration in 2011-12 £'000
Prof Sir Ian Kennedy Chair	04/11/09	n/a	03/11/14	60-65	85-90
Rt Hon Sir Scott Baker Board Member	11/01/10	n/a	10/01/13	5-10	5-10
Jackie Ballard Board Member	11/01/10	n/a	10/01/13	5-10	5-10
Ken Olisa OBE Board Member	11/01/10	n/a	10/01/13	5-10	5-10
Prof Isobel Sharp CBE Board Member	11/01/10	n/a	10/01/13	5-10	5-10
Sir Neil Butterfield Board Member	11/01/13	n/a	10/01/16	0-5	n/a
Elizabeth Padmore Board Member	11/01/13	n/a	10/01/18	5-10	n/a
Anne Whitaker Board Member	11/01/13	n/a	10/01/18	0-5	n/a
Prof Anthony Wright Board Member	11/01/13	n/a	10/01/16	0-5	n/a

No benefits in kind were paid. Board Members received the following expenses:

Name	Expenses reimbursed in 2012-13
Prof Sir Ian Kennedy	Nil
Rt Hon Sir Scott Baker	Nil
Jackie Ballard	Nil
Ken Olisa OBE	Nil
Prof Isobel Sharp CBE	Nil
Sir Neil Butterfield	£679.30
Elizabeth Padmore	£153.52
Anne Whitaker	Nil
Prof Anthony Wright	£246.15

Lay Members

Name	Appointed	Notice Period	End Date	Total Remuneration in 2012-13 £'000	Total Remuneration in 2011-12 £'000
Dame Janet Gaymer Lay Member	26/01/11	n/a	25/01/16	0-5	0-5
Sir Anthony Holland Lay Member	26/01/11	n/a	25/01/14	0-5	0-5
Elizabeth McMeikan Lay Member	26/01/11	n/a	25/01/15	0-5	0-5

IPSA CEO and Directors

Reporting bodies are required by the FReM to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in IPSA in the financial year 2012-13 was £105,000-£110,000 (2011-12, £105,000-£110,000). In 2012-13, this was 3.5 times the median remuneration of the workforce, which was £30,500 (2011-12, £30,500). The annualised cost of the Interim Chief Executive Officer has not been used in this calculation since she was only contracted to work 50 days. In 2012-13, no employee received remuneration in excess of the highest-paid director.

The total consultancy and contingent labour expenditure in 2012-13 was £283,000 (2011-12, £172,000). The current workforce plan does not rely on the regular use of temporary staff. Expenditure in 2012-13 was largely incurred on short-term support.

Name and Title	Appointed	Notice Period	End Date (when not ongoing)	Salary [5] (2012-13) £'000	Bonus (2012-13) £'000 [6]	Total Remuneration (2012-13)	Total Remuneration (2011-12)
Andrew McDonald [1] CEO	14/09/09	Secondee	Secondee	105-110	n/a	105-110	105-110
Paula Higson [2] Interim CEO	30/07/12	Interim	30/11/12	30-35	n/a	30-35	n/a
John Sills [3] Director of Policy and Communications	01/02/10	Secondee	Secondee	85-90	n/a	85-90	85-90
Scott Woolveridge Director of Operations	09/10/10	3 months	01/06/2012	15-20 (80-85 full year equivalent)	n/a	15-20	80-85
Anne Power Director of Communications	20/09/10	3 months	19/09/2012	40-45 (75-80 full year equivalent)	n/a	40-45	75-80

Bob Evans Director of Finance and Corporate Services	01/12/10	3 months	30/11/2012	55-60 (80-85 full year equivalent)	n/a	55-60	90-95
Philip Mabe Acting Director of Finance and Corporate Services	12/11/12	1 month	26/04/2013	40-45 (105-110 full year equivalent)	n/a	40-45	n/a
Philip Lloyd [4] Director of Finance and Corporate Services	27/03/13	3 months	n/a	0-5 (105-110 full year equivalent)	n/a	0-5	n/a

Remuneration Ratio	2012-13	2011-12
Band of Highest Paid Director's Total Remuneration (£'000)	105-110	105-110
Median Total Remuneration (£'000)	30.5	30.5
Ratio	3.5	3.5

No benefits in kind were paid, however IPSA's Directors received the following expenses:

Name	Expenses reimbursed in 2012-13
Andrew McDonald	Nil
Paula Higson	Nil
John Sills	Nil
Scott Woolveridge	Nil
Anne Power	Nil
Bob Evans	£453.00
Philip Mabe	Nil
Philip Lloyd	Nil

Notes:

[1] Andrew McDonald is seconded from the Ministry of Justice. His precise salary has been published by IPSA and is currently £108,600.

[2] Paula Higson was contracted as Interim Chief Executive Officer and worked on a daily rate for a total of 50 days at a cost within the range of £30,000 to £35,000 plus VAT. The daily rate was paid only for days actually worked (sickness and annual leave were not paid) and the contract did not include a provision for pension.

[3] John Sills is seconded from the Ministry of Justice. He was Director of Policy until 2 June 2012 when he became Director of Policy and Communications.

[4] There was a four week handover period between Philip Mabe, Acting Finance Director and Philip Lloyd, the permanent Finance and Corporate Services Director. This was to ensure as smooth a transition as possible during the busiest time of year for the Finance Team when improvements to the financial management environment were also a priority.

[5] The Accounting Officer is supported by a Senior Leadership Team which, during 2012-13, included the Directors shown in the table and other senior staff.

[6] IPSA does not pay bonuses on staff salaries. However, the Chief Executive Officer is eligible for consideration for a bonus which will be determined independently by his host organisation, the Ministry of Justice.

Benefits in kind

The monetary value of benefits in kind covers any expenditure incurred by IPSA which is treated by HM Revenue and Customs as a taxable emolument.

During the period to 31 March 2013, no benefits in kind were given to the Chair, Board Members, Lay Members, CEO or Directors.

Pension Liabilities

Non-seconded employees of IPSA are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is a defined benefit scheme and liability rests with the Scheme, and not IPSA. Benefits are paid from the Civil Superannuation Account to which IPSA makes contributions calculated to cover accruing pension entitlement for staff employed. Details of the PCSPS can be found at www.civilservice-pensions.gov.uk.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with the *Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008* and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Pension information for Directors

The figures given below have been supplied by My Civil Service Pension (MyCSP), the pensions' administrator for IPSA staff, after liaising with the relevant administrator for those who are secondees*.

Name	Real increase in pension 2012-13	Real increase in lump sum 2012-13	Pension at end date 31 March 2013	Lump sum at end date 31 March 2013	CETV at start date	CETV at end date	Real increase in CETV as funded by employer
Andrew McDonald* £'000	0-2.5	2.5-5	35-40	115-120	621	669	5
John Sills* £'000	0-2.5	0-2.5	20-25	65-70	402	435	9
Anne Power £'000	0-2.5	0-2.5	20-25	60-65	310	327	3
Bob Evans £'000	0-2.5	0-2.5	0-5	0-5	17	36	16

Note:

[1] Scott Woolveridge is a member of the partnership scheme. In 2012-13 IPSA's contribution to this as his employer totalled £2,692.

[2] Philip Mabe is a member of the partnership scheme. In 2012-13 IPSA's contribution to this as his employer totalled £7,333.

[3] Pension information has been supplied by MyCSP. The figures may be different from the closing figures in the 2011-12 Accounts due to the CETV factors being updated to comply with the *Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008*.

Off-payroll engagements

IPSA had one new contractor (off-payroll) between 23 August 2012 and 31 March 2013, for more than £220 per day and which lasted more than 6 months. IPSA has received assurance in relation to their Income Tax and National Insurance obligations.

D. Statement of Accounting Officer's responsibilities

Under the *Parliamentary Standards Act 2009* (PSA), HM Treasury has directed IPSA to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction at Section 4. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of IPSA and of its net resource outturn, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* (FReM) and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the FReM have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going-concern basis.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding IPSA's assets, are set out in *Managing Public Money*, published by HM Treasury.

E. Governance Statement

As provided for by the *Parliamentary Standards Act 2009* (PSA), IPSA is a body corporate, independent of Government and Parliament. As Chief Executive Officer, I am Accounting Officer for IPSA, appointed by the Speaker of the House of Commons.

As Accounting Officer, I am required to maintain a sound system to manage and control the resources used to support the achievement of IPSA's policies, aims and objectives and for safeguarding the public funds and the Authority's assets in accordance with the responsibilities assigned to me under the PSA and by the IPSA Board. In doing so, I follow broadly the standards set out in *Managing Public Money*.

Between 30 July and 30 November for a period of 50 days, Paula Higson was contracted to be Interim Chief Executive for IPSA during my absence. Throughout that period I retained my Accounting Officer duties.

Governance framework

IPSA's funding is subject to scrutiny by the Speaker's Committee for IPSA, which is responsible under the PSA for ensuring that our Estimate is consistent with the efficient and cost-effective discharge by IPSA of its functions.

IPSA's Board: scope of responsibility

As set out above, IPSA's Board comprises the members of IPSA as appointed under the PSA. I am responsible for carrying out the administration functions on behalf of the Board in accordance with its general directions.

The terms of office for the four ordinary Board members expired in January 2013 and none chose to seek re-appointment. Following an open competition, their four successors took up post in the same month.

The regulatory functions are carried out separately from the administration functions through the Board's retention of overall responsibility for the preparation and revision of the *MPs' Scheme of Business Costs and Expenses* and, now, setting MPs' pay and pensions.

The IPSA Board has set out the strategic vision for IPSA and has approved the priorities and key performance indicators as detailed within the Corporate Plan. The Board monitors and reviews the performance of the organisation regularly on the basis of the management information provided at Board meetings.

The Board: performance

The Board last reviewed its effectiveness in the previous reporting period. As set out in Part I, in December 2012, just before the four ordinary Board members left office, the Board held a meeting to consider 'lessons learned' from its term in office, which were shared with new Board members. Efforts were then focused on ensuring an efficient and effective transition to new Board members. A review of the current Board's effectiveness and performance is scheduled for early 2014.

The Board: highlights

As set out in my report at Part I, a key focus of the Board during the year has been the review of MPs' pay and pensions. The Board initiated the review with a workshop in April 2012 to scope the work required and consider some of the issues. A 'green paper' consultation was launched in October and the results from this provided valuable feedback for new Board members who were inducted via a number of briefings and workshops. A full consultation is being launched just after the end of the reporting period, in July 2013.

The Fourth Edition of the *MPs' Scheme of Business Costs and Expenses* came into effect in April 2012. The in-depth thematic review of MPs' staffing carried out in the previous reporting period concluded that the budget limit should be increased to allow MPs to employ 4 rather than 3.5 full-time-equivalent staff. Later in the reporting period, the Board subsequently oversaw the completion of the third full review of the Scheme. This focused on MPs' residential accommodation in the London area. In light of consultation responses, the Board decided that residential accommodation budgets should remain largely unchanged. The minor changes which were made were reflected in the Fifth Edition of the *MPs' Scheme of Business Costs and Expenses*, which came into effect in April 2013. A full review of residential (and office) accommodation is scheduled for 2013-14.

The Audit and Risk Committee: scope of responsibility

The Audit and Risk Committee (ARC) comprises all the members of the IPSA Board and is chaired by the member who is qualified to be a statutory auditor. This ensures that the Committee has professional, qualified direction in matters relating to the consideration of IPSA's risk management and assurance arrangements.

The ARC supports the work of the Board and my role as Accounting Officer in maintaining an effective system of control. It meets regularly throughout the year and, as necessary, when considering the Annual Report and Accounts. The Committee assesses the executive's management of risk and the assurance framework in place and advises me as Accounting Officer as to its adequacy.

The table below shows the attendance of each member at Board and ARC meetings.

Member	Board		Audit & Risk Committee	
	01/04/12 – 09/01/13	10/01/13 – 31/03/13	01/04/12 – 09/01/13	10/01/13 – 31/03/13
	(17 meetings)	(6 meetings)	(4 meetings)	(2 meetings)
Prof Sir Ian Kennedy Board Chair	17	6	4	2
Rt Hon Sir Scott Baker	15	N/A	2	N/A
Jackie Ballard	15	N/A	3	N/A
Prof Isobel Sharp CBE Audit and Risk Committee Chair	16	N/A	4	N/A
Ken Olisa OBE	14	N/A	3	N/A
Sir Neil Butterfield	N/A	6	N/A	2
Elizabeth Padmore	N/A	6	N/A	2
Anne Whitaker Audit and Risk Committee Chair	N/A	6	N/A	2
Prof Tony Wright	N/A	6	N/A	2

Together with internal audit, external audit, the Director of Finance and Corporate Services and Risk Coordinator, I am routinely invited to attend ARC meetings. My directors and members of the Senior Leadership Team (SLT) are also regularly present.

Audit and Risk Committee: highlights

PricewaterhouseCoopers (PwC), IPSA's internal audit service providers since 2010, completed a review of the assurance framework in place at IPSA that concluded that it would be appropriate, given the direction of travel of the assurance mechanisms in place, to move to a co-sourced service. The ARC considered the report and recommended that this change be implemented with effect from 1 April 2013 when the current contract for services came to an end. This resulted in my appointing IPSA's Head of Assurance as the Head of Internal Audit and Assurance. Shortly after the end of the reporting period we appointed a new co-source partner for the provision of our internal service.

The Committee also provided oversight of the progress of improvements to the financial management control environment following weaknesses highlighted as a result of a mis-payment to a supplier during the summer of 2012.

Executive responsibilities

There are a number of established arrangements in place that provide scrutiny and management oversight to the delivery of IPSA's operations. These derive their authority from the SLT, which comprises all of my directors and senior managers from across IPSA.

During the year there were the following changes to the composition of the SLT:

- the fixed-term post for the Director of Operations ended and in June 2012 responsibility for the administration of the MPs' business costs and expenses passed to the Head of the Validation and MP Support Team, who became a member of the SLT;
- in September 2012 following the departure of the Director of Communications when her fixed-term contract ended, my Director of Policy took on responsibility for the communications function; and
- the Director of Finance and Corporate Services resigned in December 2012 and until the appointment of a permanent replacement at the end of March 2013 I appointed an Acting Director of Finance and Corporate Services.

The SLT meets weekly to discuss and consider current and emerging business issues. The SLT also sits regularly and in advance of ARC meetings as the Risk and Assurance SLT, where IPSA's key and emerging risks and the adequacy and appropriateness of controlling actions are considered in line with the risk appetite set by the Board. Risks are therefore actively managed with the effectiveness of controlling actions challenged and progress monitored.

There is an annual corporate and strategic planning cycle that sets the key priorities and activities over the next four years. The cycle includes early and regular Board engagement to ensure alignment with its vision. The Corporate Plan includes the identification of key performance indicators and associated targets, each of which is owned by a senior manager. Performance against these indicators is measured and reported monthly to the Board. Operational performance targets for the reporting period were all achieved.

As set out in my report at Part I, key challenges in the current planning cycle include completing the review to set MPs' pay and pensions and responding to the Information Commissioner's decision, while continuing to deliver our administration and regulatory functions. We believe the implications of the Commissioner's decision are that IPSA will be required to publish redacted images of receipts.

Continual improvement and development of our operational capability is delivered through a programme of projects. The Change Board meets monthly to consider and approve the projects necessary to deliver improvements and to provide management oversight and scrutiny on the progress of each. The Change Board is supported by a dedicated Change Manager and each project is managed along established project management principles, with a designated sponsor who is a member of the SLT, and a project manager.

There are four main streams of work currently under way and which will continue to run in 2013-14. These cover our administration and regulatory responsibilities and are focused both on our internal operations and on ensuring we support MPs effectively to carry out their parliamentary functions. One programme in particular is focused on the risk which arises from the fact that a number of key events are likely to happen at the same time in 2015: the General Election, the expiry of the lease on our current accommodation and the end of our main contract for IT services.

The main streams of work are as follows:

- Policy, including the reviews of MPs' pay and pensions and of MPs' residential and office accommodation.
- Addressing the impact of requests under the *Freedom of Information Act*; improving IPSA's capture and retrieval of data; and a review of the publication policy.
- Improving our administration, including changes to internal claims processing; strengthening the control environment around IPSA's financial management; and completing the introduction of on-line submission of MPs' staff timesheets. Plans for 2013-14 include an end-to-end review of key business processes; a financial management project to improve the efficiency of our accounting operations; and the implementation of an upgrade to our online expenses system.
- Planning for 2015, which, as set out above, will include completing our planning for the General Election, finding new accommodation and reviewing our IT strategy.

Comply or explain: Corporate governance

The *Corporate Governance Code* ("the Code") issued by HM Treasury and the Cabinet Office is designed specifically for central government departments. It is essential that IPSA is seen to uphold the highest standards in its own operations, and I am satisfied that IPSA is compliant with the material requirements of the Code where they are relevant to its statutory position, in most cases complying with the letter and the spirit of the Code's provisions. Where the requirements of the PSA differ from the Code, IPSA will always seek to comply with the Act, which reflects the wishes of Parliament.

There is one area where to comply fully with the Code would result in IPSA's governance arrangements being in conflict with the intention of Parliament. The Code requires Boards of departments to be chaired by the lead Minister and for membership to be balanced, with an equal number of ministers, senior officials and non-executive members (Provision 3.3). The composition of the IPSA Board is determined by the PSA which requires that the Board should be chaired by a non-executive Chair with four ordinary Members.

Provision 2.5 of the Code provides for some activities to be exercised by committees of the Board including, as a minimum, committees responsible for audit and risk assurance, and nominations and governance. During the reporting period, as mentioned above, the IPSA Board was supported in its role by the Audit and Risk Committee.

Risk and assurance framework

The ARC's remit is to provide independent scrutiny of the current and emerging risks, control measures and governance and make recommendations to me as Accounting Officer as I am personally responsible for ensuring that IPSA identifies, assesses and manages its risks soundly and that appropriate and proportionate measures are put in place. It is for this reason that, during the reporting period, we revisited the framework in place for managing risks and for assessing the assurances that I require. As a consequence we replaced the Risk and Assurance Working Group with a specific Risk and Assurance SLT which I chair and which is supported by a dedicated Risk Coordinator.

The Risk and Assurance SLT has an IPSA-wide mandate comprising all my Directors and senior managers and is best placed to take a strategic overview of the risks we face and of emerging themes.

Risks can be identified at all levels of the organisation and are fed through to the appropriate SLT member who, in conjunction with the Risk Coordinator, will raise matters for consideration with the Risk and Assurance SLT. All key risks have a designated SLT owner who is accountable for, at the direction of the Risk and Assurance SLT, implementing appropriate and proportionate control measures to mitigate the risk in line with the risk appetite set by the Board.

The Board last formally reviewed the level of risk it is ready to accept in relation to our key areas of activity during the previous reporting period. Our risk appetite and tolerance is a fundamental factor in ensuring that risks are identified and appropriately controlled and as a priority for the new Board members is being considered in June 2013.

The Risk and Assurance SLT also takes reports from the Head of Internal Audit on internal audit reviews completed during the period as well as management assurance reports on the administration of the *MPs' Scheme of Business Costs and Expenses* from the Head of Assurance. These reports support the Risk and Assurance SLT assessments of the adequacy of the management of key risks and act as an indicator for potential and emerging risk areas.

Emerging risk areas have been captured as part of this process and are reflected in our corporate planning process and programmes of work for the coming reporting period. Most notably these include preparing for the next planned General Election in 2015 when, as set out above, a number of key issues come together, and ensuring that IPSA is adequately staffed with the capacity and capability to continue to deliver its mandate.

Review of effectiveness

I am required to review the effectiveness of the control environment in place to ensure that the resources for which I am responsible are subject to sound management and control. I am satisfied that, taking into account the improvements required to strengthen the financial management environment in IPSA discussed below, the governance framework, corporate governance compliance and risk assessment arrangements described above ensure that no material or significant risks threaten the achievement of IPSA's key objectives and policies. I am also satisfied that IPSA's response to the highlighted weaknesses in the financial management environment is sufficient and robust and has been well-managed, with my Directors and senior managers being held to account for the progress of remedial action.

My review is informed by the independent work completed by internal audit and the opinion provided by the Head of Internal Audit; comments made by the National Audit Office (NAO) as our external auditors in their management letter and other reports; and IPSA's management assurance processes under the internal control framework, including regular reports from the Head of Assurance.

In addition I have received an assurance statement from my Director of Policy and Communications confirming the adequacy of the controls within his area of responsibility. Rather than seeking an assurance statement from the current Director of Finance and Corporate Services who took up post at the end of March, I have placed reliance on the review of core financial controls conducted by internal audit and their subsequent follow-up work.

Public Accounts Committee recommendations

During the reporting period we made significant progress on implementing recommendations made by the Public Accounts Committee following the NAO's value-for-money review in 2011. The NAO monitors the progress of implementation and confirmed that four of the six recommended actions had been completed:

- The second publication of annualised data in September 2012 made a clear distinction between MPs' business costs and expenses. Explanations were provided about claims that were not paid due to administrative errors by IPSA and clarifying that MPs can claim only for costs within the Scheme.
- Throughout the year we introduced a number of further initiatives to reduce the time MPs spend making claims for their business costs and expenses, including on-line submission of staff timesheets and direct payments to suppliers for stationery.
- The inaugural meeting of the MPs' Staff User Group was held in October 2012 and is scheduled to be held bi-annually. This group promotes engagement with MPs' offices.
- We updated the guidance on our website, making it more accessible and consistent. The information is now searchable.

The fifth recommended action from the PAC related to the introduction of a risk-based validation framework. An internal review will be conducted following the first full cycle of this new approach, the results of which will be subject to NAO consideration prior to closure of this recommendation.

The final recommendation made by the PAC was that we should seek to reduce the number of claims paid that are lower in value than the cost of processing a single claim line. We are re-calculating the cost of processing claims for 2012-13. However we do not consider this to be a valid measure of efficiency. The value and volume of claims submitted by MPs is a matter for each individual MP.

Internal audit

2012-13 was the final year of the contract with PricewaterhouseCoopers (PwC) to provide our internal audit services on an entirely outsourced basis. During the year PwC completed three assurance reviews to inform the Head of Internal Audit's annual opinion on the adequacy and effectiveness of IPSA's system of governance, risk management and control as required under the *Government Internal Audit Standards*:

- core financial controls;
- validation of MPs' business costs and expenses; and
- identity and access management of IT systems.

In addition, two advisory reviews were completed on:

- the assurance framework in place that gave rise to the move to a co-sourced internal audit service; and
- the contractual arrangements with IPSA's IT provider, which was conducted in response to a specific query raised by the previous Chair of the Audit and Risk Committee.

The assurance and advisory work informed the Head of Internal Audit's opinion on the operation and effectiveness of the internal control framework in place throughout the year. It was concluded that while there was some risk to the achievement of management's objectives, particularly in financial management, none was significant. It was recognised that good progress had been made to strengthen the control environment across IPSA with significant improvements being implemented.

The key area of improvement for the year was in IPSA's financial management. A mispayment to a supplier that was promptly repaid resulted in an internal review led by the Financial Controller of the financial management environment across IPSA. The review concluded that delegation of authority and separation of duties could be strengthened through embedding responsibilities across the whole of the organisation and reducing reliance on key personnel. A plan of remedial action was developed and work began on implementing the changes in the autumn.

As this is a fundamental area I asked internal audit to conduct an independent assessment of the financial management environment. Its review supported the findings and recommendations raised by the internal review and underlined the need to strengthen controls in a number of key areas. A comprehensive action plan was developed with weekly oversight by me and my senior team to ensure progress on the implementation of control improvements.

I considered it important that a follow-up review on the progress of the implementation of the remedial actions was undertaken. This follow-up review was conducted in April 2013 and confirmed that four of the five high-risk and two of the three medium-risk rated actions had been fully implemented with the remaining two actions being partially

implemented. This is testimony to the priority and effort the management team gives this issue and I am confident that the momentum behind the improvements will be maintained through the financial management project.

The internal audit review of the controls over the validation of MPs' business costs and expense claims identified three medium-rated and two low-rated risks, action plans for which were already in place.

The final assurance review looked at identity management over key IT systems. This review identified two medium-rated risks and actions are in place to address the issues raised.

Data and information security

The Finance and Corporate Services Director is the Senior Information Risk Officer and advises me on the effectiveness with which IPSA manages the risks associated with the information that IPSA handles. I was the Senior Information Risk Officer during the period that IPSA had an interim Finance Director. Each senior manager involved in the running of key IPSA processes acts as an Information Asset Owner, responsible for managing the risks associated with his or her information assets. This accountability ensures appropriate protection is maintained.

During the reporting period there were three significant lapses in protective security, two of which were a result of IPSA's procedures not being fully adhered to. In the third instance IPSA followed its procedures correctly and the incident was a result of third party error. In each case while there was a potential for data to be lost, there were no actual losses. Staff have been reminded of the importance of data security and during 2013 all staff will be required to complete mandatory information protection training.

In December 2012 IPSA achieved re-accreditation of its information systems under the *Risk Management Accreditation Document Set* (RMADS) standard in accordance with *HMG Information Assurance Guidance Standard No 2*, which informs our data security strategy. This assurance is maintained in accordance with the risk profile throughout the service life of the information system, by regular post-implementation information assurance reviews, which also constitute best business practice.

The increase in the scope and number of requests under the *Freedom of Information Act* has highlighted the range and complexity of information that IPSA necessarily holds in the discharge of its administration and regulatory functions. In responding to the requests it became clear that our data capture and retrieval mechanisms, while fit for business purposes, do not easily enable data to be collated and represented for other purposes. A project is under way to improve our data management with particular attention being given to the methods of storage and retrieval. It is envisaged that the benefits of this project will become tangible by August 2013.

Other areas of internal control

The verification of the eligibility of payments to MPs under the Scheme is a fundamental area of internal control over which I receive monthly assurance assessments from the Assurance Team. This work confirms that the approach taken provides a good level of control. The assurance framework in this area includes:

- a clear, robust Scheme that is well understood by MPs;
- the underlying claims process that requires all payments to be supported by appropriate and sufficient documentary evidence;

- a risk-based validation framework under which all claims are subject to scrutiny driven by the relative risks attached to each expense category, for compliance with the Scheme and evidence requirements;
- reviews undertaken by the Assurance Team independently of the validation process to confirm the accuracy of the validation determinations made and compliance with the Scheme, where 99.46% of decisions were confirmed as correct;
- public scrutiny through the publication of all claims received; and
- independent review from internal and external audit.

In addition, the Compliance Officer for IPSA provides a further independent level of assurance through his assessment and investigation of potential instances of MPs receiving payments under the Scheme to which they are not entitled.

As well as its administration functions, IPSA has regulatory responsibilities which are discharged through its rigorous policy-making function. Policies are evidence-based and subject to the necessary statutory consultations. This can be seen, for example, in the extensive work that has been undertaken in the review of MPs' pay and pensions.

Looking ahead

We regularly consider the strategic risks around safeguarding our independence and the pressures placed upon us, particularly given the level of public scrutiny we receive in relation to our small size. The financial constraints under which we operate and the need to deliver 5% savings over each year of the Comprehensive Spending Review period require IPSA to seek opportunities to administer the *MPs' Scheme of Business Costs and Expenses* more efficiently.

IPSA faces a number of key strategic challenges which are captured through the risk management and corporate planning processes including:

- Preparing to deal with the implications of the Information Commissioner's decision that IPSA release the redacted images of individual receipts. Just after the end of this reporting period, IPSA lodged an appeal to the Upper Tribunal.
- Completing the review of MPs' pay and pensions. This will establish a modern and professional remuneration package for MPs which will take effect after the 2015 planned General Election.
- Planning ahead for 2015 when we will be tested on our resilience and capability as we face our first planned General Election at a time when we will need to find alternative office accommodation and we will be looking to renew the contract for the provision of our IT systems.
- Implementing the data management project to enable better use of the information that we hold, and to put us in a good position to respond to requests under the *Freedom of Information Act*.

Signed

Date: 1 July 2013

Andrew McDonald
Accounting Officer

F. The Certificate of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Independent Parliamentary Standards Authority (IPSA) for the year ended 31 March 2013 under the *Parliamentary Standards Act 2009*. The financial statements comprise: the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity, and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and express an opinion on the financial statements in accordance with the *Parliamentary Standards Act 2009*. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to IPSA's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report and Management Commentary to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2013 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of IPSA's affairs as at 31 March 2013 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the *Parliamentary Standards Act 2009* and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been prepared in accordance with the *Parliamentary Standards Act 2009* and HM Treasury directions issued thereunder; and
- the information given in Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Date: 2 July 2013

G. IPSA Accounts 2012-2013

Statement of Parliamentary Supply

SUMMARY OF RESOURCE AND CAPITAL OUTTURN 2012-2013							
				2012-2013		2011-2012	
		Estimate		Outturn		Voted outturn compared with Estimate: saving/excess	Outturn
	Note	Voted	Total	Voted	Total		Total
		£'000	£'000	£'000	£'000	£'000	£'000
Department Expenditure Limit							
–Resource		174,944	174,944	153,597	153,597	21,347	145,865
–Capital	2	2,167	2,167	323	323	1,844	435
Annual Managed Expenditure							
–Resource	2	1,000	1,000	(80)	(80)	1,080	46
–Capital		0	0	0	0	0	0
Total Budget		178,111	178,111	153,840	153,840	24,271	146,346
Non-Budget							
–Resource	2	0	0	0	0	0	0
Total		178,111	178,111	153,840	153,840	24,271	146,346
Total Resource	2	175,944	175,944	153,517	153,517	22,427	145,911
Total Capital		2,167	2,167	323	323	1,844	435
Total		178,111	178,111	153,840	153,840	24,271	146,346

NET CASH REQUIREMENT 2012-2013		2012-2013		2012-2013	2011-2012
		Estimate	Outturn	Outturn compared with Estimate: saving/(excess)	Outturn
	Note	£'000	£'000	£'000	£'000
Net cash requirement	4	177,957	156,153	21,804	146,002

OPERATIONAL COSTS 2012-2013		2012-2013		2012-2013	2011-2012
		Estimate	Outturn	Outturn	Outturn
	Note	£'000	£'000	£'000	£'000
Operational costs	6	5,983		5,785	5,964

Figures in the areas outlined in bold are voted totals or other totals subject to Parliamentary control.

Explanations of variances between Estimates and outturn are given in Note 2 and in the Management Commentary.

For Estimates purposes all IPSA's income and expenditure is classified as Programme.

IPSA has no Non-Voted Expenditure.

The notes on pages 61 to 77 form part of these accounts.

Statement of Comprehensive Net Expenditure

FOR THE YEAR ENDED 31 MARCH 2013			
		2012-2013	2011-2012
	Note	£'000	£'000
MPs expenses scheme costs			
MP and MP Staff pay costs	7	123,017	115,609
MP and MP Staff expenses	7	25,054	24,338
Income	10	(586)	0
IPSA Operational costs (including recruitment of Board and additional FOI expenditure)			
Staff costs	8	2,835	3,376
Other costs	9	3,253	2,588
Income	10	(56)	0
Net Operating Cost for the year ended 31 March 2013		153,517	145,911
Total expenditure		154,159	145,911
Total income		(642)	0
Net Operating Cost for the year ended 31 March 2012		153,517	145,911
Other Comprehensive Net Expenditure		0	0
Total comprehensive expenditure for the year ended 31 March 2013		153,517	145,911

The notes on pages 61 to 77 form part of these accounts.

Statement of Financial Position

AS AT 31 MARCH					
		2013		2012	
	Note	£'000	£'000	£'000	£'000
Non-current assets:					
Property, plant & equipment	11	2,069		2,790	
Intangible assets	12	179		238	
Total non-current assets		2,248		3,028	
Current assets:					
Trade and other receivables	14	2,438		2,039	
Cash and cash equivalents	15	1,661		5,814	
Total current assets		4,099		7,853	
Total assets		6,347		10,881	
Current liabilities:					
Trade and other payables	16	(3,572)		(6,594)	
Provisions	17	0		(80)	
Other liabilities	16	(1,661)		(5,814)	
Total current liabilities		(5,233)		(12,488)	
Total assets less current liabilities		1,114		(1,607)	
Non current liabilities:					
Provisions	17	(191)		(191)	
Total non current liabilities		(191)		(191)	
Assets less liabilities		923		(1,798)	
Taxpayers' equity:					
General fund		923		(1,798)	
Total taxpayers' equity		923		(1,798)	

The notes on pages 61 to 77 form part of these accounts.

Signed
 Andrew McDonald
 Accounting Officer
 1 July 2013

Statement of Cash Flows

FOR THE PERIOD ENDED 31 MARCH 2013

		2012-2013	2011-2012
	Note	£'000	£'000
Cash flows from operating activities			
Net operating cost		(153,517)	(145,911)
Adjustments for non-cash transactions			
Depreciation and amortisation	9	973	859
Bad Debt Written Off	9	6	0
Disposal of non current assets	9	28	0
External Audit	9	85	85
Provisions not required written back	17	(6)	
(Increase)/Decrease in trade and other receivables	14	(271)	(262)
Less movement in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure		0	0
Increase/(Decrease) in trade and other payables	16	(3,022)	(450)
Less movement in payables relating to items not passing through the Statement of Comprehensive Net Expenditure	11	(1)	(33)
Use of provisions	17	(74)	46
Less Net Movement on Deposits and advances	14	(134)	(45)
Net cash outflow from operating activities	4	(155,933)	(145,711)
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(205)	(201)
Purchase of intangible assets	12	(15)	(90)
Proceeds of disposal of property, plant and equipment		0	0
Proceeds of disposal of intangibles		0	0
Net cash outflow from investing activities	4	(220)	(291)
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		152,000	148,291
From the Consolidated Fund (Supply) – prior year		0	0
Net financing		152,000	148,291
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		(4,153)	2,289
Payments of amounts due to the Consolidated Fund		0	0
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		(4,153)	2,289
Cash and cash equivalents at the beginning of the period		5,814	3,525
Cash and cash equivalents at the end of the period	15	1,661	5,814

The notes on pages 61 to 77 form part of these accounts.

Statement of Changes in Taxpayers' Equity

FOR THE YEAR ENDED 31 MARCH 2013

		General Fund	Total Reserves
	Note	£'000	£'000
Balance as at 1 April 2011		(1,974)	(1,974)
Net Parliamentary Funding – drawn down		148,291	148,291
Net Parliamentary Funding – deemed supply		3,525	3,525
Supply payable adjustment	16	(5,814)	(5,814)
Comprehensive Net Expenditure for the Year		(145,911)	(145,911)
Non-Cash Adjustments			
Non-cash charges – auditor's remuneration	9	85	85
Balance at 31 March 2012		(1,798)	(1,798)
Balance at 1 April 2012		(1,798)	(1,798)
Net Parliamentary Funding – drawn down		152,000	152,000
Net Parliamentary Funding – deemed supply		5,814	5,814
Supply payable adjustment	16	(1,661)	(1,661)
Comprehensive Net Expenditure for the Year		(153,517)	(153,517)
Non-Cash Adjustments			
Non-cash charges – auditor's remuneration	9	85	85
Balance at 31 March 2013		923	923

The notes on pages 61 to 77 form part of these accounts.

Notes to the Accounts

1. Statement of accounting policies

These financial statements have been prepared to account for the receipt of Parliamentary Supply through IPSA's Main Estimate (HC342) and the Supplementary Estimate (HC971). They have been prepared in accordance with the 2012–13 *Government Financial Reporting Manual* (FReM) issued by Her Majesty's Treasury (HMT). The accounting policies contained in the FReM apply *International Financial Reporting Standards* (IFRS) as adapted or interpreted for the public sector context.

Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of IPSA for the purpose of giving a true and fair view has been selected. The particular policies adopted by IPSA are described below. They have been applied consistently in dealing with items that are considered material to the Accounts.

In addition to the primary statements prepared under IFRS, the FReM also requires IPSA to prepare an additional primary statement:

- The Statement of Parliamentary Supply and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement.

1.1 Prior-year adjustments

There has been no need to restate the prior year financial statements.

1.2 Accounting convention

These accounts have been prepared under the historical cost convention. There has been no revaluation of property, plant and equipment and intangibles which are considered short-life and low value assets.

1.3 Financing and Going Concern

IPSA is resourced by funds approved by the Speaker's Committee for IPSA through the annual Appropriation Acts. Resources are drawn down each month to meet expenditure requirements and are credited to the General Fund. Any income that IPSA may use in support of its activities is also approved in the Appropriation Act. There is no reason to believe that future funding will not be forthcoming. The Accounts have therefore been prepared on a going concern basis.

1.4 Administration and programme expenditure

The Statement of Parliamentary Supply shows all IPSA's expenditure is classified as programme. IPSA has no administration expenditure.

1.5 Pensions

IPSA is admitted to Section 1 of the Principal Civil Service Pension Scheme (PCSPS) and past and present staff are covered by the provisions of the PCSPS schemes. The pension arrangements for Civil Service staff on secondment to IPSA are dealt with by their seconding Department. The defined benefit schemes are unfunded and are non-contributory, except in respect of dependants' benefits. IPSA recognises the expected cost of these schemes on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for future benefits is a charge on the PCSPS. In respect of defined contribution schemes, IPSA recognises the contributions payable for the year.

1.6 Property, plant and equipment

Expenditure on property, plant and equipment of £5,000 or more is capitalised. All assets which are of a similar nature and function (including the recognition on purchase of the component parts) whose value, when grouped together in a singular purchase/contract, exceeds the £5,000 threshold are capitalised as a grouped asset. Subsequent acquisitions of less than £5,000 value which are of the same nature as existing grouped assets will be appended.

On initial recognition, assets are measured at cost, including any costs such as installation directly attributable to bringing them into working condition. All tangible assets are deemed to be short-life or low value assets and are, therefore, valued on the basis of depreciated historical cost as an approximation of fair value. Tangible assets are reviewed annually for impairment.

1.7 Intangible assets

Expenditure on intangible assets, which are software licences and the associated costs of implementation, is capitalised where the cost is £5,000 or more. Subsequent acquisitions of less than £5,000 value which are of the same nature as existing grouped assets will be appended. Intangible assets are reviewed annually for impairment, and are stated at amortised historical cost. Software licences are amortised on a straight line basis over the shorter of the term of the licence and the useful economic life of the asset.

1.8 Depreciation/amortisation

Property, plant and equipment are depreciated at rates calculated to write them down to the estimated residual value on a straight-line basis over their estimated useful lives. No depreciation/amortisation is charged in the year of acquisition but full year of depreciation/amortisation is applied in the year of disposal. The residual values of assets

are reviewed on an annual basis. Intangible assets are amortised in conjunction with the IT system that they are connected with.

Asset lives are assigned as follows:

Leasehold improvements	Over the term of the lease
IT and computers	5 years
Other equipment	5 years
Furniture, fixtures and fittings	5 years
Intangible assets	5 years

1.9 Trade receivables

Trade receivables are recognised initially at fair value, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that IPSA will not be able to collect all amounts due according to the original terms of the receivables.

1.10 Operating leases

The total cost of operating leases is expensed in equal instalments over the life of the lease.

1.11 Provisions

IPSA provides for legal or constructive obligations which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the HM Treasury discount rate.

1.12 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, IPSA discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood

of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of *Managing Public Money*.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

1.13 Value Added Tax

IPSA is not registered for VAT and, as such, all income excludes any VAT content and all expenditure is stated inclusive of VAT.

1.14 Staff costs

Under IAS19 Employee Benefits, all staff costs must be recorded as an expense as soon as the organisation is obligated to pay them.

1.15 Significant Accounting Judgements and Estimates

For the year ended 31 March 2013, MPs may submit a claim up to 60 days after incurring the expenditure. The outstanding balance of claims for MPs' expenses arising out of 2012-13 has been accrued for in these accounts. An estimate of £68k has been made for claims allowed after the 60 day cut-off date (because they meet the criteria for exceptions), and included in the accrual.

1.16 Recognition of MPs' claims

For the purpose of determining the timing of MPs' expenses claims for year end, individual claim lines are recognised according to transaction date, not the date at which the claim is submitted. Claims against invoices for which payment has not yet been made are recognised at the invoice date. Advance

rental payments and other large items of expenditure made by MPs that involve an element of prepayment have been accrued for the period in question.

Rental and other payments which are made direct by IPSA on the MP's behalf and which are for longer than one month in advance are accrued over the requisite period. MPs' claims are treated as a resource expense against the IPSA Estimate and are recognised once payment has been approved, at which point a constructive obligation is established. IPSA is not responsible for the management of MPs' expenditure once the claim has been paid and does not for example, distinguish between expenditure on capital assets as opposed to consumable items. These are a matter for the MP concerned.

1.17 Impending application of newly issued accounting standards not yet effective

IPSA provides disclosure that it has not yet applied a new accounting standard, and known or reasonably estimable information relevant to assessing the possible impact that the initial application of the new standard will have on IPSA's financial statements. There were three changes that were incorporated into the 2012-13 FReM. IPSA considered whether these were applicable to its accounts and determined that they were not. IPSA has also not adopted any standards early.

1.18 Income

For 2012-13, MPs are obliged under paragraph 14 of Annex A of the Fourth Edition of the *MPs' Scheme of Business Costs and Expenses* to repay the public share of any capital gains on residential property that was subsidised through the mortgage interest provisions in the Scheme. These amounts became due as at 1st September 2012 and have been treated as income in the Statement of Comprehensive Net Expenditure.

IPSA has sublet part of its accommodation and considers the rent received to be income. The sublet lease contains an initial rent-free period of 4 months which is amortised over the life of the lease.

IPSA also receives income from the Social Mobility Foundation for the cost of some MPs' internships.

Receipts (or reimbursements) due where MPs or IPSA have decided that an item paid for is not claimable under the Scheme are not considered to be income and are offset against the expenditure of the MP.

2. Net outturn

2.1 Analysis of net resource outturn by section

	2012-2013						2011-2012 Outturn	
	Outturn			Estimate				
	Programme					Net Total compared to Estimate Net Total £'000	Net Total compared to Estimate £'000	Total £'000
	Gross £'000	Income £'000	Net Total £'000	Estimate Net Total £'000				
Spending in Departmental Expenditure Limit Voted:-								
A. MPs' pay, staffing and expenses	148,071	(586)	147,485	168,496		21,011	21,011	139,947
B. IPSA operational costs	5,921	(56)	5,865	5,983		118	118	5,918
C. Recruitment of IPSA Board	60	0	60	100		40	40	0
D. Additional expenditure arising from FOIA requests and a recent Information Commisioner's Decision Notice	187	0	187	365		178	178	0
Spending in Annual Managed Expenditure Voted:-								
E. Provisions and Impairments	(80)	0	(80)	1,000		1,080	1,080	46
Total	154,159	(642)	153,517	175,944		22,427	22,427	145,911

2.2 Analysis of net capital outturn by section

	2012-2013						2011-2012 Outturn
	Outturn			Estimate			
	Gross £'000	Income £'000	Net Total £'000	Estimate Net Total £'000	Net Total compared to Estimate Net Total £'000	Net Total compared to Estimate adjusted for virements £'000	Net Total £'000
Spending in Departmental Expenditure Limit Voted:-							
A. MPs' pay, staffing and expenses	248	(146)	102	1,707	1,605	1,605	111
B. IPSA operational costs	249	(28)	221	460	239	239	324
C. Recruitment of IPSA Board	0	0	0	0	0	0	0
D. Additional expenditure arising from FOIA requests and a recent Information Commissioner's Decision Notice	0	0	0	0	0	0	0
Spending in Annual Managed Expenditure Voted:-							
E. Provisions and Impairments	0	0	0	0	0	0	0
Total	497	(174)	323	2,167	1,844	1,844	435

3. Reconciliation of outturn to net operating cost

		2012-2013	2011-2012
		£'000	£'000
	Note	Outturn	Outturn
Total resource outturn in Statement of Parliamentary Supply	2	153,517	145,911
Less: Income Payable to the Consolidated Fund	5	0	0
Net Operating Costs in Consolidated Statement of Comprehensive Net Expenditure		153,517	145,911

4. Reconciliation of Net Cash Requirement to increase/(decrease) in cash

	2012-2013	2011-2012
	£'000	£'000
Net Resource Outturn	153,517	145,911
Capital:		
Acquisition of property, plant and equipment	206	234
Purchase of intangible assets	15	90
Property deposits for MPs	102	111
Net Outturn		
Accruals Adjustments:		
Non cash items		
Depreciation	(973)	(859)
Bad Debt Written Off	(6)	0
Disposals	(28)	0
Auditors remuneration	(85)	(85)
Changes in working capital other than cash	3,325	646
Changes in provision for liabilities and charges	80	(46)
Net cash requirement	156,153	146,002

5. Analysis of income payable to the Consolidated Fund

There was no income payable to the Consolidated Fund during the year to 31 March 2013 (2011-12: £nil).

6. Statement of Operating Costs By Operating Segment

IPSA's operating segments correspond with the Subhead detail of the 2012-13 Estimate. The reportable segments are reported to the IPSA Board in its management accounts.

	2012-2013					2011-2012				
	MPs' pay, staffing and expenses	IPSA Operational Costs	Recruitment of Board	Additional expenditure arising from FOIA requests	Total	MPs' pay, staffing and expenses	IPSA Operational Costs	Recruitment of Board	Additional expenditure arising from FOIA requests	Total
Gross Expenditure	148,071	5,841	60	187	154,159	139,947	5,964	0	0	145,911
Income	(586)	(56)	0	0	(642)	0	0	0	0	0
Net Expenditure	147,485	5,785	60	187	153,517	139,947	5,964	0	0	145,911

Description of segments

MPs' expenses scheme – the costs of MPs' pay, staffing costs and expenses including income from the Social Mobility Foundation and capital gains.

IPSA Operational Costs – the operating costs of IPSA including sublet income.

Recruitment of Board – four new ordinary Members were recruited and took up office in January 2013. This is a ring-fenced budget created in 2012-13.

Additional expenditure arising from FOIA requests – this subhead was created by IPSA's Supplementary Estimate (HC971) in January 2013.

7. MPs' expenses scheme costs

		2012-2013	2011-2012
		£'000	£'000
MP and MP Staff Pay and Expenses			
MP Salary cost	43,735		43,718
MP Staff Salary cost	62,826		56,521
Employers National Insurance	10,414		9,905
MP Staff Superannuation	5,900		5,374
MP Winding Up Costs	142		91
	123,017		115,609
Capped Budgets			
Accommodation Expenses and Office Expenditure			
Property rent	9,394		8,296
Mortgage interest	97		339
Utility costs	661		652
Council Tax	330		411
Service charges	155		198
Rates	230		187
Other premises costs	372		262
Insurance	449		389
Professional services	1,765		1,765
Stationery and other office supplies	1,636		1,788
Telephone and internet	1,061		1,504
Pooled services	1,431		891
Computers	405		533
Office furniture	70		171
Photocopiers and televisions	201		288
Publicity, advertising and communications	236		226
Website design and hosting	251		175
Other	621		706
Total Capped Expenditure		19,365	18,781
Uncapped Budgets			
Travel	Car	1,507	1,584
	Air	1,065	964
	Rail	1,785	1,805
	Taxi	78	65
	Other	200	122
Hotels		621	559
Food and drink		148	141
Training		73	130
Parking		166	133
Other (including MP training, telephony, insurance)		46	54
Total Uncapped		5,689	5,557
Total MPs' Business Costs and Expenses Scheme		148,071	139,947

8. Staff numbers and related costs

Staff costs comprise:

	2012-2013						2011-2012
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Total	Permanent Staff	Seconded Staff	Agency Staff	Chairman & IPSA Board	SCIPSA Lay Members	Total
Wages and salaries	2,093	1,757	219	0	110	7	2,545
Social security costs	189	153	26	0	10	0	238
Other pension costs	349	295	54	0	0	0	434
Seconded Staff - VAT	0	0	0	0	0	0	0
Sub Total	2,631	2,205	299	0	120	7	3,217
Agency staff	204	0	0	204	0	0	159
Total net costs*	2,835	2,205	299	204	120	7	3,376
2011-12	3,376	2,640	442	159	126	9	

* No staff costs have been capitalised (2011-12 £nil).

Full details of the remuneration of the Chair, Board Members and senior managers are detailed in the Remuneration Report.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but IPSA is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2012. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2012-13, employers' contributions of £282,778 were payable to the PCSPS (2011-12 £334,660) at one of four rates in the range 16.7 to 24.3 per cent (2011-12: 16.7 to 24.3 per cent) of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The salary bands and contribution rates were revised for 2010-11 and have remained unchanged this year. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £15,318 (2011-12 £18,853) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent (2011-12: 3 to 12.5 per cent) of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £839 (0.8 per cent; 2011-12: £1,184) of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the reporting date were £1,815. Contributions prepaid at that date were £0.

Average number of persons employed:

The average number of whole-time equivalent persons employed or seconded to IPSA during the period was as follows. The average was calculated as the average of people in post by month over the 12 months to 31 March 2013.

					2012-13 Number	2011-2012 Number
IPSA Operations	Total	Permanent Staff	Seconded Staff	Others	Chairman & IPSA Board	Total
Total	58	47	3	3	5	67

8.1 Reporting of Civil Service and other compensation schemes – exit packages

Exit package cost band	Number of voluntary departures agreed	
	2012-13	2011-12
<£10,000	0	0
£10,000 – £25,000	3	1
£25,000 – £50,000	0	0
£50,000 – £100,000	0	1
£100,000 – £150,000	0	0
£150,000 – £200,000	0	0
Total number of exit packages	3	2
Total cost /£'000s	51	80

There were no compulsory redundancies in either financial year.

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where IPSA has agreed early retirements, the additional costs are met by IPSA and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

Reward and Recognition Scheme

IPSA runs an individual and team reward and recognition (R&R) scheme which gives recognition to those who support IPSA's values, enhance its image, or deliver extra-ordinary service to its users or outstanding pieces of work.

In total, £420 was paid out in R&R awards (2011- 12: £537) and the following table gives the numbers of people receiving total awards in bands:

Total value of rewards received	No of people in band	2011-12
Under £50	27	29
£51 to £100	0	0
£101 to £150	0	0
£151 to £200	0	0
Over £200	0	0
Total no. of recipients	27	29

9. IPSA Operational Costs

	2012-13	2011-12
	£'000	£'000
Rent, rates and service charges	637	667
Other property costs	127	81
IT services and telephony	450	481
Legal	198	104
Pension Advice and Administration	212	10
Internal Audit Services	76	90
Recruitment and advertising	76	15
Board recruitment*	60	0
FOIA costs	118	0
Training (IPSA Staff)	29	21
Printing, postage and stationery	84	88
Professional services	7	13
Publicity	28	32
Travel and subsistence	11	4
Non-cash items:		
Depreciation	899	789
Amortisation	74	70
Profit/Loss on Disposals	28	0
External Audit**	85	85
Bad Debts Written Off	6	0
Other	48	38
Total	3,253	2,588

* These are costs relating to the recruitment of a new IPSA Board. This was a ring-fenced budget controlled by the Speaker.

** External Audit provided no non-audit services.

10. Income

	2012-13	2011-12
	£'000	£'000
Capital Gains on residential property formerly subsidised through the mortgage interest provisions in the expenses scheme	(454)	0
Social Mobility Foundation (cost of some MPs' internships)	(132)	0
Sublet Rental Income	(56)	0
	(642)	0

For 2012-13, there were new income streams for repayment of capital gains and rental income. These are classified as income in the Estimate, along with income from the Social Mobility Foundation.

11. Property, plant and equipment

	Leasehold Refurbishment	Information Technology	Furniture and Fittings	Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 April 2012	1,044	2,534	267	48	3,893
Additions	121	36	0	49	206
Disposals	0	0	(56)	0	(56)
Impairments	0	0	0	0	0
Reclassifications	0	48	0	(48)	0
At 31 March 2013	1,165	2,618	211	49	4,043
Depreciation					
At 1 April 2012	396	596	111	0	1,103
Charged in year	300	553	46	0	899
Disposals	0	0	(28)	0	(28)
Impairments	0	0	0	0	0
Reclassifications	0	0	0	0	0
At 31 March 2013	696	1,149	129	0	1,974
Carrying amount at 31 March 2012	648	1,938	156	48	2,790
Carrying amount at 31 March 2013	469	1,469	82	49	2,069

	Leasehold Refurbishment	Information Technology	Furniture and Fittings	Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 April 2011	1,044	2,480	267	0	3,791
Additions	0	186	0	48	234
Disposals	0	0	0	0	0
Impairments	0	0	0	0	0
Reclassifications	0	(132)	0	0	(132)
At 31 March 2012	1,044	2,534	267	48	3,893
Depreciation					
At 1 April 2011	180	80	54	0	314
Charged in year	216	516	57	0	789
Disposals	0	0	0	0	0
Impairments	0	0	0	0	0
Reclassifications	0	0	0	0	0
At 31 March 2012	396	596	111	0	1,103
Carrying amount at 31 March 2011	864	2,400	213	0	3,477
Carrying amount at 31 March 2012	648	1,938	156	48	2,790

All assets are owned.

12. Intangible assets

Intangible assets comprise the software licences for the Enterprise and BACS IT solutions and also website development costs.

	Total
	£'000
Cost or valuation	
At 1 April 2012	320
Additions	15
Disposals	0
Reclassifications	0
At 31 March 2013	335
Amortisation	
At 1 April 2012	82
Charged in year	74
Disposals	0
Reclassifications	0
At 31 March 2013	156
Carrying amount at 31 March 2012	238
Carrying amount at 31 March 2013	179

	Total
	£'000
Cost or valuation	
At 1 April 2011	98
Additions	90
Disposals	0
Revaluation	132
At 31 March 2012	320
Amortisation	
At 1 April 2011	12
Charged in year	70
Disposals	0
Revaluation	0
	82
Carrying amount at 31 March 2011	86
Carrying amount at 31 March 2012	238

All assets are owned.

13. Financial Instruments

IPSA's resources are met from Parliament through the Estimates process following scrutiny and approval by the Speaker's Committee.

Financial Instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. IPSA has no powers to borrow money or to invest surplus funds. Other than financial assets and liabilities which are generated by day-to-day operational activities, IPSA holds no financial instruments.

Liquidity Risk

IPSA's net revenue resource requirements are financed by resources voted annually by Parliament, as is its capital expenditure. IPSA is not, therefore, exposed to material liquidity risks.

Credit Risk

Given the nature of IPSA's activities, the user base of MPs and their staff and the powers inherent to IPSA to recover any monies owing, IPSA believes that it is not exposed to any material credit risk.

14. Trade receivables and other current assets

	31 March 2013	31 March 2012
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	109	16
Deposits and advances	1,387	1,253
Other receivables	276	133
Prepayments and accrued income	666	637
Total	2,438	2,039

There are no amounts falling due after more than one year.

15. Cash and cash equivalents

	2013	2012
	£'000	£'000
Balance at 1 April	5,814	3,525
Net change in cash and cash equivalent balances	(4,153)	2,289
Balance at 31 March	1,661	5,814
The following balances at 31 March 2013 were held at:		
Government Banking Service	1,661	5,814
Balance at 31 March	1,661	5,814

There were no cash equivalents held by IPSA at 31 March 2013 or 31 March 2012.

16. Trade payables and other current liabilities

	31 March 2013	31 March 2012
	£'000	£'000
Amounts falling due within one year		
Taxation and social security	0	2,987
Trade payables	5	143
Other payables	1,313	907
Accrual for Member and Member staff expenses	1,859	2,023
Other accruals and deferred income	361	501
Non current asset accruals	34	33
Amounts issued from the Consolidated Fund for Supply but not spent at year end	1,661	5,814
Total	5,233	12,408

There are no amounts falling due after more than one year.

17. Provisions for liabilities and charges

	2013	2012
	£'000	£'000
Balance at 1 April	271	225
Provided for in year	0	80
Provisions not required written back	(6)	0
Provisions used in year	(74)	(34)
Borrowing costs	0	0
Balance at 31 March	191	271

	Dilapidations
Analysis of expected timing of cashflows	
Not later than one year	0
Later than one year and not later than five years	191
Later than five years	0
Balance at 31 March	191

A provision has been made to restore IPSA's leasehold property to its original state at the end of the lease in 2015. A full provision of £191k has been made in accordance with the lease in order to reinstate to shell.

18. Capital and other commitments

18.1 Capital commitments

	2013	2012
	£'000	£'000
Contracted capital commitments at 31 March not otherwise included in these financial statements		
Property, plant and equipment	92	20
	92	20

18.2 Commitments under leases

18.2.1 Operating leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

	31 March 2013	31 March 2012
	£'000	£'000
Obligations under operating leases for the following periods comprise:		
Buildings		
Not later than one year	352	352
Later than one year and not later than five years	352	704
	704	1,056

Lease commitments relate to IPSA's rental property and are stated inclusive of VAT. The total rental expenditure recognised in 2012-13 is £352,114.

18.2.2 Finance leases

IPSA does not hold any finance leases.

18.3 Other financial commitments

IPSA has not entered into any non-cancellable contracts or entered into any quantifiable guarantees, indemnities or provided any letters of comfort.

19. Contingent liabilities disclosed under IAS 37

IPSA is pursuing a legal case against an MP for the recovery of a capital gain of £54,000. The outcome of this case is not yet known.

20. Losses and special payments

	2012-13	2012-13	2011-12	2011-12
Category of loss/special payment	Value of Cases (£s)	Number of Cases	Value of Cases (£s)	Number of Cases
A. Losses				
Other write-offs	6,038	17	0	0
B. Special Payments				
Compensation payments	21,078	1	46	1
Ex gratia	1,500	1	0	0
Total	28,616	19	46	1

21. Related-party transactions

IPSA has no direct or indirect sponsorship or agency relationships with any other public body, private body or company, with the exception of Parliament itself.

IPSA has had a small number of transactions with other government departments for staff secondments.

Subsequent to her contract as Interim Chief Executive Officer, Paula Higson carried out coaching and mentoring work at IPSA at a cost of £1,157. No other Board member, key manager or other related parties have undertaken any material transaction with IPSA during the year.

Details of the remuneration of the Chair, Board Members and senior managers are detailed in the Remuneration Report.

22. Third-party assets

IPSA currently holds £29,176 (2011-12: Nil) as a third party asset as defined in the 2012-13 FReM. This is a rent deposit for the sub-lease of office space. This is not IPSA's asset and is not included in the accounts.

23. Events after the reporting period

The Accounting Officer authorised these financial statements for issue on the C&AG certification date. There are no events to report after the reporting date and up to the date the accounts were signed.

Section 4. Accounts Direction

Accounts directions given by the Treasury on 16 April 2011, in accordance with Paragraph 23(2), Part 2 of Schedule 1 to the *Parliamentary Standards Act 2009*.

1. The Independent Parliamentary Standards Authority shall prepare resource accounts for the financial year ended 31 March 2011 and subsequent financial years in compliance with the accounting principles and disclosure requirements of the edition of the *Government Financial Reporting Manual* ('the FReM') issued by HM Treasury which is in force for the financial year for which the accounts are being prepared.
2. The accounts shall be prepared so as to:
 - a give a true and fair view of the state of affairs of the Independent Parliamentary Standards Authority at 31 March 2011 and subsequent financial year ends, and of its net operating costs, changes in taxpayers' equity and cash flows for the financial year then ended; and
 - b provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
3. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgment should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with the Treasury.
4. This direction replaces the direction dated 29 October 2010.

Chris Wobschall
Head, Assurance and Financial Reporting
Policy, HM Treasury

16 April 2011

3

Annual Report by the Compliance Officer for IPSA

A. Introduction

The role of the Compliance Officer for the Independent Parliamentary Standards Authority (IPSA) was created by the *Parliamentary Standards Act 2009* (PSA), as amended by the *Constitutional Reform and Governance Act 2010*. The legislation defines the role as follows:

- a) upon request, to review a determination by IPSA to refuse an MP's expense claim in whole or in part; and
- b) to conduct an investigation if there is reason to believe that a member of the House of Commons may have been paid an amount under the *MPs' Scheme of Business Costs and Expenses* that should not have been allowed.

During 2010, payment cards for MPs were introduced; use of the cards has continued to expand and diversify since their introduction. The Compliance Officer may therefore be called upon to review a case where an MP is in receipt of payment but IPSA subsequently rejects the claim and requires repayment.

Peter Davis is the current Compliance Officer. He was appointed following a competitive selection process in December 2011. The legislation stipulates that a Compliance Officer can only be appointed for a single fixed term not exceeding five years.

B. Relationship with IPSA

The Compliance Officer is appointed by and reports directly to the IPSA Board. However, the Compliance Officer is not an employee of IPSA but is an independent office-holder, maintaining objectivity and neutrality in his relationships with MPs and IPSA.

Schedule 2 of the PSA (as amended) requires IPSA to provide the Compliance Officer with adequate resources and staff to discharge his functions. Compliance Office staff act solely on the instruction of the Compliance Officer

and their functions are entirely separate from the executive branch of IPSA.

In 2010, following the creation of IPSA, the Compliance Officer was supported by three full-time members of staff. Currently, the office is staffed by one full-time equivalent (FTE) post, comprising the Compliance Officer (two days) and an Investigations Officer (three days). The reduction in staffing reflects a commensurate reduction in the number of valid complaints received. The Investigations Officer is an IPSA employee and is afforded the same rights as other IPSA personnel.

C. Relationship with MPs

During 2012-13, the Compliance Officer continued to make every effort to enhance awareness of his role amongst MPs. Meetings with MPs are frequent and in many cases relate to complaints that transpire to be without foundation. In each case, the Compliance Officer seeks to engage MPs in a broader discussion with the objective of provoking proactive contact when they foresee a problem with a claim.

The Compliance Officer has been involved in a number of discussions where MPs have expressed reservations about submitting claims in case they make an error and are the subject of a complaint. In every case, the Compliance Officer has strongly encouraged MPs to claim those expenses to which they are entitled under the Scheme.

During his dialogue with MPs, the Compliance Officer has continued to focus on four key areas:

- a) complaints will be viewed with objectivity, proportionality and common sense. The content will be closely scrutinised;
- b) a consistent number of cases are malicious and designed to tarnish the image of the MP for political advantage;

- c) where a claim is incorrectly submitted or paid, this is almost always due to a genuine and understandable error made by the MP, their proxy or IPSA which can be dealt with swiftly and without fuss;
- d) the Compliance Officer is cognisant that publicity, even in cases without foundation, carries an inherent risk of reputational damage. The *Procedures for Investigation of the Compliance Officer for IPSA* (available on the Compliance Office website) set out what data should be published with respect to an investigation, and when this should take place.

D. Procedures for Investigations of the Compliance Officer

IPSA is required, by legislation, to determine the procedures which the Compliance Officer must follow when investigating allegations that MPs may have been paid sums to which they were not entitled under the *MPs' Scheme of Business Costs and Expenses*.

IPSA published the First Edition of the *Procedures for Investigations of the Compliance Officer* in July 2010. After having been in place over a year, a review was undertaken, including consultation with the public and Parliament. On 1 February 2012 the Second Edition of the *Procedures for Investigations of the Compliance Officer for IPSA* came into effect.

The process must be iterative, building upon knowledge and experience as it is accrued. The procedures should seek to maintain confidence in the Compliance Office, ensuring that a balance is maintained between thoroughness and timeliness. Every complainant has a right to know that their case has been diligently assessed, whilst an MP who is the subject of a complaint has a right to expect that it will be dealt with expediently.

The current procedures can be viewed at www.parliamentarycompliance.org.uk.

E. Relationships with other interested parties

IPSA and the Compliance Officer are required to draft and agree Joint Working Agreements with:

- a) the Metropolitan Police and the Director of Public Prosecutions;
- b) the House of Commons Serjeant-at-Arms;
- c) the Parliamentary Commissioner for Standards.

The Compliance Officer is seeking to redraft these documents and to develop stronger and more integrated working practices. This is intended to ensure that investigations are more timely and thorough and that MPs and complainants receive an improved quality of service.

F. Reviews of IPSA's Determinations and Appeals to the First-Tier Tribunal

During the reporting period only one request was received from an MP for review of a decision by IPSA not to pay a claim. Following thorough and careful consideration the Compliance Officer supported the original decision made by IPSA.

The MP was not satisfied with the outcome and invoked his right to have the decision reviewed by a First-Tier Tribunal. Following legal advice, and prior to the case being heard by the Tribunal, the Compliance Officer agreed to allow part of the claim.

The case was heard before the First-Tier Tribunal (Tax) on 14 March 2013. It was the first case of its kind to be heard by the Tribunal. On 27 March, the Tribunal provided both parties with its decision and the rationale. Noting that the Compliance Officer

had, prior to the hearing, agreed that a claim for part of the journey should be allowed, the Tribunal decided that the remainder of the claim was properly refused under the *MPs' Scheme of Business Costs and Expenses*.

The case has had an impact on the content of the Fifth Edition of the *MPs' Scheme of Business Costs and Expenses* which was published on 13 March 2013 and which took effect on 1 April 2013. Two of the amendments noted in the Summary of Changes were influenced by the case.

G. Website

The current Compliance website is dated and of limited assistance to people who visit. It will be redesigned to project a more professional image, to optimise the ease of navigation, provide additional links and introduce more qualitative and quantitative information. The Compliance Officer has secured funding for a major revision of the site during 2013-14.

H. Key Performance Indicators

Within the reporting period, key performance indicators have not altered from those previously agreed with the IPSA Board, as follows:

- the completion of 90% of investigations within 120 working days;
- the publication of the outcome of 90% of investigations within 15 working days;
- the completion of 90% of Assessments within 90 working days.

Whilst all indicators are at 100%, there has only been one formal investigation in 2012-13 and therefore they are of little value. The Compliance Officer will be discussing revised indicators with the IPSA Board in the coming months.

I. Statistics

Figures outlining complaints received and cases handled by the Compliance Office during 2012-13 are shown below. The majority of complaints received related to the IPSA budget headings of Office Costs Expenditure and Travel & Subsistence.

The purely quantitative data is of limited value and fails to provide a complete picture. There are a number of matters that only become apparent from closer analysis of the cases, as follows:

- A significant number of complaints do not appear in the data as they do not reach the threshold necessary to be classified as an assessment under the Second Edition of the *Procedures for Investigation of the Compliance Officer for IPSA*. They are malicious or frivolous and contain no specific allegation and no evidence. Complaints of this nature are largely confined to periods where there is high profile negative press coverage regarding MPs.
- Complaints were received consistently about what Members were allowed to claim under the *MPs' Scheme of Business Costs and Expenses*. Again, this category of complaint does not appear in the figures as they did not warrant assessment. In most cases the complainants were encouraged to contribute suggestions to the annual review of the Scheme.
- During 2012-13, IPSA has experienced a significant increase in the scope and number of requests for information under the *Freedom of Information Act* (FOIA). In some cases, the information disclosed by IPSA has been used by FOI requesters as evidence in support of a complaint to the Compliance Officer.

- Whilst the majority of the assessments contained within the table below were instigated following public complaint, IPSA contributes a significant minority. They have a thorough, robust and methodical Assurance and Review Team examining claims submissions. In most cases, where issues are discerned, these are handled internally; however, where it is judged that they could be more appropriately dealt with by the Compliance Officer, a referral is made.

Table 1: Summary of the 26 cases handled during 2012-13

Cases carried forward from 2011-12	Cases opened during 2012-13 by quarter				Total cases opened during 2012-13	Cases closed during 2012-13	Cases carried forward to 2013-14
	Q1	Q2	Q3	Q4			
2	6	3	11	4	24	23	3

Table 2: Breakdown of the 26 cases handled during 2012-13

Source of the 26 cases opened		Outcome of the 23 cases closed	
Member of the public	14	Assessments closed	23
IPSA	3	Investigations closed	0
Compliance Officer for IPSA	0		
MP or MPs' staff	3		
Other member of a political party	2		
Journalist	4		

Table 3: Disposal of cases

	Finalised cases proven (either in part or in full)	Finalised cases unproven
Number	3	20
Percentage	13%	87%

J. Looking ahead

The pattern of complaints visible during 2012-13 has stabilised and the Compliance Officer sees little prospect for significant change during the forthcoming year. However, as the date of the next General Election draws closer, it is inevitable that there will be an increase in the scrutiny of MPs' business costs and expenses and a consequent rise in complaints. It is probable that many of these will be submitted with dubious motives nevertheless, they will still require detailed examination. It is therefore feasible that, at some stage during 2014, staffing levels within the office may require review.

With the complement of staff set to continue at one full-time equivalent post, major developments within the office would be purely aspirational and would divert attention from the core role of the office. Therefore, during 2013-14, the Compliance Officer will seek to:

- ensure that all assessments and investigations are conducted thoroughly and expeditiously, minimising the delay to complainants and MPs;
- continue the development of open, positive and constructive dialogue with MPs and their staff;
- continue to pursue improvements in efficiency within office systems and procedures;
- draft and publish updated Joint Working Agreements with the Metropolitan Police, Serjeant-at-Arms and Parliamentary Commissioner for Standards;
- conduct an internal review of the current *Procedures for Investigations of the Compliance Officer* and, if appropriate, make recommendations to IPSA for improvement;
- revamp and re-launch the Compliance Office website.

Annex A Sustainability Report

Energy and Emissions

	Actual Performance	Normalised (per full-time employee)	Target Performance
Carbon emissions from premises	65 tonne 2011-12 66 tonne 2012-13 (estimate)	1.23 tonne 1.13 tonne	Target 2013-14 proposed = 70 tonne off-set to 35 tonne per premises. 2012-13 Target 60 tonne: Achieved: 13% reduction.
Tenant off-set	13.75 tonne	0.9 tonne	
IPSA CO² total	52.25 tonne 2012-13		
Total energy consumption kWh	185,785.20 / 2011-12 121,633.2 / 2012-13 (estimate)	3,505 kWh 2,097 kWh	Target 2013-14 = 185,000 kWh off-set to 100,000 kWh per premises. 2012-13 Target 185,000 units: Achieved: 48% reduction.
Tenant off-set	25,340 / 2012-13		
IPSA units total	96,293/ 2012-13	1,660 kWh	
Total energy expenditure	£17,998.83 /2011-12	£255	Target 2013-14 = £24,000 off-set to £12,000 per premises. 2012-13 Target £18,000: Achieved: 21% reduction.
Tenant off-set	£17,976.00 /2012-13	£310	
IPSA total (£)	£3,745 £14,231 /2012-13	£245	

Performance Commentary

IPSA sublet half its accommodation for the last five months of 2012-13. This reduced IPSA's carbon emissions, energy consumption and expenditure.

Controllable Impacts Commentary

IPSA can control much of its electricity consumption. Strategies are in place to reduce these impacts through continued ambient light survey and efficiency control measures.

Overview of Influenced Impacts

IPSA is a tenant in a large serviced building so cannot directly influence carbon emissions of others. IPSA participates in local carbon reduction schemes run by the landlord and its major suppliers. We are able to influence emissions through communicating with suppliers of goods and service. Additionally, IPSA implemented a zero carbon delivery strategy for the duration of the Olympic games.

Supplier Delivery Emissions

Area	Actual Performance	Normalised (per full-time employee)	Target Performance
Carbon emissions: Consumables delivery	46.2 Kg 2011-12 35.28 Kg 2012-13	Not applicable 1.05 Kg 0.6 Kg	Target 2013-14 = Maintain carbon emissions at 2012-13 levels. 2012-13 Target 35.40 Kg: Achieved: 0.003% reduction.
CO² total			
Notional delivery expenditure	£570 / 2011-12 £420 / 2012-13	£12.95 £7.24	Target 2013-14 = Maintain delivery frequency to 42 in number. 2012-13 Target £420: Achieved
IPSA total (£)			

Waste			
Area	Actual Performance	Normalised (per full-time employee)	Target Performance
Total paper bought Quantity	1,630 reams / 3880 Kg /2011-12 560 reams / 1333Kg / 2012-13	30.8 reams 9.6 reams	Target 6% reduction (1,490 reams) Achieved: 62% reduction.
Total confidential waste paper recycled Weight	1,402 Kg 2011-2012 1,402 Kg 2012-2013	26.5 Kg 24.2 Kg	Target 1,350 Kg to recycle in 2012-13 Not Achieved
Total all waste recycled Weight	3,756.37 Kg 2011-12 4,209.12 Kg 2012-13	70.9 Kg 72.6 Kg	Target = 10% increase in 2012-13 Achieved: 10.7% increase.
Total to burning for energy Weight	790.75 Kg 2011-12 338.00 Kg 2012-13	14.9 Kg 5.8 Kg	Target = Reduce weight for burning by 30% by 2012-13 Achieved: 57% reduction.
Total to food for fuel Weight	None / 2011-12 16.00 Kg / 2012-13	0.3 Kg	Start up March 2012-13 Litres/2.25Kg average weekly. Annual forecast: 132.75 Kg
Total all waste disposed Weight	4,547.12 Kg 2011-12 4,563.12 Kg 2012-13	85.8 Kg 78.7 Kg	Not applicable
Total waste expenditure Total (£)	£2,813.50 / 2011-12 £2,070 / 2012-13	£53.1 £35.70	Not applicable
Grey water waste consumption Tenant off-set Volume total	1,110.66 m ³ / 2011-12 1,111.20 m ³ / 2012-13 879 m³ / 2012-13	20.9 m ³ 19.2 m ³ 15.2 m ³	Target: 1010.25 m ³ to waste in 2012-13 Achieved: 13% lower than target
Metered water consumption Tenant off-set Volume total	2,222.86 m ³ 2011-12 2,145.16 m ³ / 2012-13 1,698 m ³ / 2012-13	41.9 m ³ 36.9 m ³ 29.2 m ³	Target: 2200.00 m ³ to consume 2012-13 Achieved: 23% lower than target
Water Expenditure Total (£) Tenant off-set IPSA total (£)	£2,259.06 / 2011-12 (adjusted) £1,946.46 / 2012-13 (estimate) £1,541	£40.34 £33.6 £26.57	Not applicable

Performance Commentary

For 2013-14 IPSA has decided to reduce waste for burning by recycling food waste for fuel. A new target for this, water waste and other service charge costs is being prepared.

Controllable Impacts Commentary

IPSA has direct control of paper product purchase and delivery frequency. Additionally, IPSA actively implements grey water reducing measures which result in an equal reduction for incoming fresh water.

Overview of Influenced Impacts

We are able to influence emissions and waste mitigation strategies through communicating via tenant meetings. Direct control and influence over water use is small.



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