

**Minutes of the IPSA Board Meeting – Tuesday, 22 February 2010: 1.30 – 7.45pm**

<b>Present:</b>	Sir Ian Kennedy (Chair)	Andrew McDonald (Chief Executive)
	Sir Scott Baker	Scott Woolveridge (Director of Operations)
	Jackie Ballard	Bob Evans (Director of Finance)
	Ken Olisa (by telephone)	John Sills (Director of Policy)
	Isobel Sharp	Tony Lord (Head of Policy) (item 6)
		Louise Edwards (Policy)
		Lucy Pickering (Policy)
		Rosanna Blake (Policy)
		Victoria Elliot (Change and Project Manager)
		Martyn Taylor (Secretariat)
		Kiran Virdee (Secretariat)

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**1. Welcome**

1.1. The Chair welcomed the Board members and members of the executive.

**2. Minutes and matters arising**

Paper: IPSA/220211/1-1A: Minutes; Ongoing Actions

2.1. The minutes of the 2 February 2011 Board meeting were approved for publication, subject to minor amendments.

2.2. The Board considered the small number of actions outstanding from previous meeting and agreed that these were in hand.

**3. Review of the MPs' Expenses Scheme**

Paper: IPSA/220211/2.0-2.1; annexes A – M

3.1. John Sills introduced a paper setting out the findings from the recent public consultation on the rules governing MPs' expenses and making a series of recommendations for changes to the rules at set out in the MPs' Expenses Scheme.

- 3.2. John Sills explained that decisions on recommendations would affect both the costs of the overall Scheme and IPSA's ability to achieve operational savings. He reminded the Board that the main themes identified in the consultation paper were as follows:
- the balance between prescriptive rules and MPs taking personal responsibility for decisions;
  - the scope for simplification of the Scheme;
  - the impact of the scheme on MPs' family life
  - the definition of the London area; and
  - the size and structure of MPs' budgets for staff and offices.
- 3.3. The Board noted that on the question of prescription versus personal responsibility, the majority public view remained that there should be a prescriptive, rules-based system, but that the view from MPs and their staff was more varied with some acknowledging the importance of rules to maintain public confidence, whilst others emphasised the need for MPs to have more freedom in how they organised their affairs.
- 3.4. The Board also noted that a strong theme of the face-to-face consultations with MPs had been about the need for IPSA provide MPs with allowances. However, it was clear from these consultations that there was a wide range of views on what allowances might cover, who would be eligible to receive them, what size they should be, whether they would be an option that MPs could choose, what the tax implications might be, and how transparency – and consequently public confidence – might be affected.
- 3.5. The Board considered the merits and drawbacks of various kinds of allowances, whilst observing that the word "allowance" was used elastically and had taken on a range of meanings. It noted that certain aspects of the different proposals for allowances might in time be worth further consideration, but it was clear that as yet there was insufficient public confidence to move significantly in that direction. The Board agreed that the system of regulating MPs' expenses was evolving and that as public confidence grows and IPSA itself is able to carry out a full and proper consideration of options, it could in time provide for certain forms of allowances.

#### Lessons learned

- 3.6. Before considering the principal recommendations for the review of the Scheme, the Board considered what Board and executive members considered to be the major lessons learned over the past year in relation to the rules and their implementation. The following were the key points made.
- Decisions were made at great pace in order to have new rules and a new system in place by the 2010 General Election. This had resulted in some unintended consequences – some of which were dealt with in the summer of 2010 and some of which still remained.

- A small number of rules had caused a disproportionate number of problems.
- Certain aspects of the rules had been over-engineered, a matter which should be tackled in the next phase.
- At times, there had been too heavy a focus on the minutiae in order to mitigate any risk of abuse at the margins, instead of a principal focus on the main risks of fraud and use of funds for political activities.
- The power of transparency had been under-estimated.
- The necessity of implementing a system at great speed had effectively meant that all systems were tested in a live environment on MPs and their staff. This was far from ideal.
- The original decision not to offer face-to-face assistance to MPs while understandable had created a range of associated difficulties.

### Family life

- 3.7. The Board agreed that the current rules that affected MPs' family life had been drawn too tightly. The Board consequently agreed to provide greater assistance to MPs with children aged up to 18 years old in full time education and to implement a childcare voucher scheme for MPs.
- 3.8. The Board recognised the additional costs to the public purse and lack of public support these changes might have, but agreed that it was important that IPSA's rules do not deleteriously affect MPs' family life and that the current rules to some extent do.
- 3.9. The Board, however, agreed that the additional funds should be available only to those MPs whose children routinely travel and reside with them and that MPs seeking additional support should make a declaration in support of their claims.

### The London Area

- 3.10. The Board agreed that the London Area under the current rules had been cast too widely and that it had had a significant impact on a number of MPs who had fallen within the new boundary.
- 3.11. The Board debated the merits and drawbacks of a range of proposals, such as the drawing of clear geographical boundaries as opposed to basing the rule on travel time.
- 3.12. The Board agreed that simplicity in operating the boundary should act as a guide but did not find a clear consensus on any particular proposal. Consequently, the Board commissioned some further work be carried out.

### Staffing budgets

- 3.13. The Board observed that the size of MPs' staffing budgets had greatly exercised MPs and their staff over the past year. The Board considered a range of proposals around the structure of staffing budgets, including whether London Area MPs should receive a London weighting staff uplift, or whether staff working in

London should receive an uplift, whether or not their MPs represented London Area constituencies; and whether the current structure of 3.5 Full Time Equivalent staff members was the right provision, or whether IPSA should provide for more members of staff.

- 3.14. The Board agreed that it was hard to judge what the right level of public provision for staffing should be without greater clarity about the work carried out by many staff members.
- 3.15. Nevertheless, the Board agreed it was clear that for many MPs the current staffing budget was set too low and needed uplifting. The Board was, however, mindful of the danger of wage inflation to match the budgets and agreed that MPs should seek to freeze their staff members' pay in the next financial year, as was the case across the public sector, with the exception that staff earning under £21,000 should be entitled to a £250 pay rise.
- 3.16. Following extensive discussions, a formulation which would be supported at that time by all Board members was not evident.
- 3.17. The Board agreed that over the next year, IPSA should carry out a review of MPs' staffing, asking two questions in particular:
  - What do MPs' staff do?
  - How many members of staff do MPs need?

#### Constituency Office and General Administration Budgets

- 3.18. The Board noted that the two budgets relating to the rental and running costs of MPs' offices had caused significant confusion to MPs over the past year and that the two budgets had also resulted in a large number of claims for support from contingency funds over the past year.
- 3.19. The Board agreed to the merging of the two budgets.
- 3.20. The Board also noted that the list of claimable items in the rules was the cause of considerable confusion and agreed that the list should be removed from the Scheme, and be replaced with a much shorter list of items not allowed. IPSA would not then provide further guidance and MPs would still need to confirm that their expenditure was incurred for parliamentary purposes and IPSA would continue to publish details of their expenditure.
- 3.21. The Board also agreed that, in future, new MPs should be entitled to a start-up budget for their office given the higher costs they incur when setting up a new office.

#### Processes

- 3.22. The Board considered representations from MPs that the 90 day deadline for submitting expense claims was too short. It noted, however, that 90 days was considerably longer than was common practice in most sectors and felt that maintaining the 90 day deadline sent an important signal about the importance of accounting for the expenditure of public funds. The Board, therefore, agreed

that the 90 day deadline for the submission of claims should be maintained and that it should be applied rigidly.

### Accommodation

- 3.23. The Board considered a number of proposals concerning accommodation and agreed that there was no evidence supporting an uplift in the rental limits.
- 3.24. The Board did agree, however, to reduce the number of accommodation bands currently in operation to just two – a London band and a non-London band – in order to simplify operations.
- 3.25. The Board further agreed to remove the rule in the existing rules limiting MPs who share accommodation to claiming two-thirds of the full budget each.
- 3.26. The Board considered the arguments for changing IPSA's position on mortgage interest subsidies, but agreed that the matter had been resolved last year with the support of all three major political party leaders.

### MPs' travel

- 3.27. The Board agreed that, subject to some further work, IPSA should clarify arrangements as between IPSA and the House of Commons for extended travel for MPs, including whether or not some select committee travel and some front-bench opposition travel might be covered.
- 3.28. The Board agreed that the existing position on first class rail travel was the right solution and should not be amended.
- 3.29. The Board agreed that provision for travel for MPs' staff should be limited in number by MP, as opposed to by staff member as was the existing position.
- 3.30. On the use of taxis, the Board agreed that there should be no change to the conditions for day-time taxi travel, but that the current situation regarding late-night sittings caused regular problems. Consequently, the Board agreed to amend the rules so that when the House sits late, MPs may claim either for a taxi or a hotel at their discretion, albeit subject to agreed limits and to publication of the claim. The Board asked the executive to consider the merits of also publishing the dates of late sitting days.

### Other issues

- 3.31. The Board discussed whether to publish details of MPs' staff salaries. Previously the Board had agreed to publish details of these in £5,000 bands. However, the Board was mindful of the strength of feeling amongst MPs' staff concerning this matter and agreed instead to publish the total staffing costs for each MP, and to publish salary details in bands of £5,000 only for those members of staff who are either connected parties or who earn over £58,000 per year, in line with the Government's overall target for improved public sector pay transparency.
- 3.32. The Board agreed with its previous position that the question of resettlement payments should form part of the wider question about MPs' pay and pensions.
- 3.33. The Board agreed that the evidence in respect of the additional costs incurred by newly elected MPs was persuasive and agreed that in future, newly elected MPs

would be eligible for start-up budget of up to £6,000 in the first year of their election to Parliament.

- 3.34. The Board asked for further clarification on the status of goods and equipment bought by MPs with public funds in order to inform how to deal with the passing on or disposal of such goods.
- 3.35. The Board also considered and agreed on a small number of miscellaneous matters which would be reflected in the revisions to the Scheme.

#### **4. Simplification and reducing costs**

Paper: IPSA/220211/3; annexes A – K

- 4.1. Victoria Elliott presented a paper to the Board setting out a number of options for simplifying the rules, following on from the previous discussion; options for reducing some of the administrative burdens on MPs and on IPSA's operations; options for making service changes; and options for reducing IPSA's costs. Certain proposals could be implemented swiftly whilst a number of other options, should the Board wish to pursue them, would require further work and would require a longer lead-in time.
- 4.2. The Board noted that any savings or additional costs resulting from changes should be reflected in the budget.
- 4.3. The Board agreed that IPSA extend direct payments to third parties to cover council tax and business rates on the grounds that these were unavoidable, regular and low-risk areas of expense. This would help to contribute to reducing the expenses that MPs are currently required personally to incur.
- 4.4. The Board agreed that work to extend the scope of the payment card used by MPs should continue. However, there was a clear *quid pro quo* if IPSA were to allow the card to be used for more categories of expense, namely that MPs would need to become more diligent in swiftly reconciling their payment card statements, and that, when they did not do so in good time, IPSA would move quickly to suspending the use of their cards.
- 4.5. The Board discussed how mileage claims might be simplified, noting however that mileage claims were an area of particular concern to the National Audit Office. The Board agreed that further work should be carried out in this area, and specifically into whether the simplification might lie in the online expenses system.
- 4.6. The Board agreed that more work was required to improve the experience of using the online expenses system. Board members expressed a strong desire to be closely involved in this work-stream.
- 4.7. The Board considered proposals for increasing the level of support provided by IPSA to MPs, including for example more face-to-face support and extending the hours of operation of the telephone service. The Board noted that any increase in support levels would carry a cost to the public purse. The Board also noted that

clear protocols would be required if there were to be an increase in face-to-face support, as well as investment in staff training.

- 4.8. The Board agreed that IPSA should move to more frequent, monthly, publication of MPs' expense claim as soon as it was in a position to do so.

## **5. IPSA's Budget estimate**

Paper: IPSA/220211/4; annexes A – E

- 5.1. Bob Evans presented draft budgets for 2011/12, including a draft baseline budget and a comparative budget that included the costs of possible scheme changes and efficiency savings.
- 5.2. The Board considered the budget and requested further work be carried out in an effort to seek to reduce IPSA's running costs wherever possible.
- 5.3. The Board agreed to consider the budget again at the next Board meeting.

## **6. Year-end letters to MPs**

Paper: IPSA/220211/5

- 6.1. The Board considered a paper, presented by Bob Evans, setting out guidance for MPs on how to handle financial year-end processes.
- 6.2. The Board agreed the guidance subject to the letter to MPs being accompanied by a note setting out in accountancy terms what is being asked of them.

## **7. IPSA Openness**

Paper: IPSA/220211/6

- 7.1. The Board considered a paper presented by Martyn Taylor on how to enhance IPSA's openness.
- 7.2. The Board agreed that in future the minutes of Board meetings should provide a fuller sense of the topics covered and the nature of the discussion.
- 7.3. The Board also agreed that in future, dissenting views on Board decisions would be noted in cases where individual Board members disagreed strongly on a point of principle with the consensus reached by the majority.
- 7.4. The Board further requested that the remaining questions on openness be taken at a subsequent meeting in light of the late hour.

## 8. Chief Executive's Report

Paper: IPSA/220211/7-8

8.1. Andrew McDonald presented the Chief Executive's report. The key points were as set out below.

### *Operational effectiveness:*

- IPSA receives, validates and processes over 10,000 claims a month.
- IPSA is validating over 95% of reimbursable claims within twelve working days. In January this figure stood at over 99%. The year-to-date figure since October stands at 93.9% and we are on target to meet our 95% target.
- Taking all claims into account (including payment card claims which do not require reimbursements to be made to MPs), IPSA is validating over 89% within twelve working days.
- IPSA receives around 600 calls a week from MPs and their offices and are answering over 95% of these within 60 seconds, and over 80% of these within 20 seconds.
- IPSA receives around 500 emails a week, 95% of which are now routinely handled within five working days.
- Payroll accuracy in the year-to-date stands at over 99.8% in January;
- All but nine MPs now use the expense system, and accuracy of claims submitted by MPs is high, with just 1% of claims not receiving reimbursement, down from around 6% in the first three months;
- We have to date published details of over 46,000 claims. In doing so we have made errors in respect of just three<sup>1</sup> claims. In other words, after two rounds of publication, our accuracy rate stands at 99.99%.

### *Payment card reconciliations*

- In mid-December, some 216 MPs had yet to reconcile some or all of their payment card statements covering the period between May and November 2010.
- Following a concerted effort by the validation team, the number of MPs who had yet to reconcile their statements had dropped dramatically and as of 17 February, only some 35 MPs had reconciliations outstanding for the same period.

### *Un-evidenced claims*

- Following the payment card reconciliation exercise, the validation team was turning to a structured programme of addressing un-evidenced claims in the Expense@Work system – i.e. claims lodged on the online system but for which no further supporting evidence had been received in order for IPSA to be able to process the claims. Early investigations of the top 20 claims by value, had

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<sup>1</sup> Revised upwards to five (9 March 2011)

indicated that the MPs who lodged these claims no longer considered these to be “live” claims.

### *Publication*

- Following the successful second round of publication, the publication team was considering how to address the question of how publication of “not paid” claims could be clarified further, in order to address some of the concerns raised in respect of these. A proposal on this would be tabled at the March Board meeting.
- The team was also considering the logistics of moving to a more regular, monthly, publication cycle.

### Policy

- The focus of the policy team had been on analysing the responses to the consultation of the expenses scheme and on producing the papers to be taken at the 22 February Board meeting on the review of the scheme.
- 8.2. The Board welcomed the report, noting the improvements in service delivery over the past months, and in particular expressed its satisfaction with the work carried out into un-evidenced claims as it revealed the gap between the facts and the intermittent reports that many MPs are considerably out of pocket for extended periods of time by IPSA.
- 8.3. The Board asked for the KPIs in future to reflect IPSA’s financial position.

## **9. Finance Report**

Paper: IPSA/220211/9; Annexes A – C

- 9.1. Bob Evans presented IPSA’s financial report. The Board noted IPSA’s financial position for the period to the end of January 2010 and the forecast to the end of the year. Board members were pleased to see a slight improvement in IPSA’s financial position over the past month.

## **10. Any Other Business**

- 10.1. The Board briefly discussed the need to consider soon how IPSA will tackle the issue of MPs’ pay and pensions, noting that IPSA would not be willing to commit funds to reviewing this issue until the Government has commenced the relevant provisions of the Constitutional Reform and Governance Act 2010, which provides for IPSA to be given the powers to set MPs’ pay and pensions in future.

The meeting was closed.