



Review of a determination by the IPSA Contingency Panel to refuse an application.

Thelma Walker
Former Member of Parliament for Colne Valley.

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April 2020

Introduction

1. This review has been conducted following a request by Thelma Walker, the former MP for Colne Valley, to consider a decision of the IPSA contingency panel process to refuse to pay an overspend on accommodation costs.
2. IPSA publishes and operates The Scheme of MPs' Business Costs and Expenses (the Scheme) in exercise of the powers conferred on it by section 5(3)(a) of the Parliamentary Standards Act 2009. "The Scheme is intended to ensure that MPs' use of taxpayers' money is well regulated and that MPs are resourced appropriately to carry out their parliamentary functions."¹
3. The guidance which applies in this case comes under Section C Chapter Four and Annex A of the "The Scheme" (Eleventh Edition).
4. The annual budget allocated for accommodation costs in the London area as detailed within "the Scheme" is £22,920. This includes an allowance of £3,160 for associated costs such as utility bills and council tax.² Due to the fact a snap General Election was called in December 2019, the budgets were amended on a pro-rated basis. This means that the budgets for MPs who lost their seats in the December election were effectively reduced by twenty-five per cent which covered the period January to March 2020.
5. On 18th June 2018, Ms Walker entered in to a lease agreement for a private rent on a property in London. The monthly rental cost was £2,028.85 which increased to £2,087.68 in July 2019 due to a clause in the contract which stipulated there was to be a 2.9% annual rent increase.
6. On 11th October 2019, Ms Walker gave up tenancy on the flat as she realised, she would exceed her annual budget allocation if she were to have remained there. Her intention was to find a cheaper property. The total amount claimed for accommodation and associated costs, at this point was £13,197.78p.
7. At the point Ms Walker gave up the tenancy on the property (11th October), her pro-rated accommodation budget was £11,835.74. There was an overspend on the accommodation budget by a sum of £1362.04.
8. The MP subsequently made an application for her case to be considered at the IPSA contingency panel. Her position being, that had she not lost her seat and had access to her full budget, she would not have incurred an overspend as she would have found a cheaper property to rent.

¹ The Scheme of MPs' Business Costs and Expenses (Eleventh edition – Introduction).

² Para 4.10 and 4.11 and guidance box of above document.

9. The case was heard at the contingency panel meeting held on 30th January 2020. Ms Walker’s application was not upheld and in light of this, she made a request to the Compliance Officer to conduct a review on 2nd April 2020.
10. *Section 6A of the Parliamentary Standards Act 2009* (the Act) provides that if:
- (1)(a) the IPSA determines under section 6(3)³ that a claim is to be refused or that only part of the amount claimed is to be allowed, and
 - (b) the member (after asking the IPSA to reconsider the determination and giving it a reasonable opportunity to do so) asks the Compliance Officer to review the determination (or any altered determination resulting from the IPSA’s reconsideration).
- (2) The Compliance Officer must -
- (a) consider whether the determination (or the altered determination) is the determination that should have been made, and
 - (b) in light of that consideration, decide whether or not to confirm or alter it.
11. Paragraph 9 of the notes for Guidance on the Conduct of Reviews by the Compliance Officer for IPSA states that:
- “The Compliance Officer will, taking into account all information, evidence and representations, decide whether the determination (or the altered determination) is the determination that should have been made under the Scheme and in light of that, whether or not to confirm or alter it”.
12. As IPSA had conducted an internal review through the Contingency Panel process, there is no impediment to the Compliance Officer accepting the request for a review from Ms Walker.

The Review

13. In conducting the review, the Compliance Officer has utilised the eleventh edition of the Scheme.
14. In addition, the Compliance Officer has reviewed the following information:
- ◇ The contingency panel application submitted by Ms Walker.
 - ◇ The minutes of the contingency panel meetings which considered the request.
 - ◇ Reviewed the notes held on the case records management system.
 - ◇ Reviewed the terms of the property rental agreement.
 - ◇ Reviewed information relating to MP spend on accommodation costs
 - ◇ Additional information provided by IPSA with regards to budget costs.

³ Section 6(3) of the Act states that on receipt of a claim, the IPSA must – (a) determine whether to allow or refuse the claim, and (b) if it is allowed, determine how much of the amount claimed is to be allowed and pay it accordingly.

The Basis for the Review request by Ms Walker

15. As previously stated the claim subject of this review relate to the rental costs for a property in London. At the time Ms walker entered in to the rental agreement, she was the Labour MP representing the Colne Valley Constituency.
16. The annual accommodation budget (as set out in “the Scheme”) for properties in the London area is £22,920.
17. Ms walker entered in to the lease agreement in June 2018 for a period of 36 months. The monthly rental costs were £2,028.85 rising to £,2085.68 in July 2019. The increase in rent was due to a clause in the rental agreement stipulating a 2.9% increase in rental payments on an annual basis.
18. At the end of the 2018/19 financial year, Ms Walker exceeded her annual budget for accommodation and was required to pay the additional costs to IPSA out of her own pocket. When her rent was increased in July 2019, she realised her budget would be overspent. In order to avoid this, she gave notice to quit the property and moved out on 11th October, with the intention of finding cheaper accommodation which would keep her within budget at the end of the 2019/20 financial year. In the interim, she booked hotel accommodation when she was required to be in London for parliamentary business.
19. Before Ms Walker could find alternative accommodation, a snap General election was announced on October 29th. Ms Walker lost her seat in the December election.
20. Section 10 of the Scheme, states an MP can apply to the contingency panel when their spending under a particular budget has exceeded or may exceed the budget limit for the year and they consider this to be the result of exceptional circumstances
21. Ms Walker, on the advice of her IPSA account manager, made an application to the contingency panel. Her case is that she foresaw her accommodation budget would be overspent and in order to avoid this, she moved out of the property with the intention of finding a cheaper option which would have kept her within budget. What Ms Walker could not have foreseen, was a snap election, and which she argues was an exceptional occurrence. She maintains had she remained in office and been eligible for her full budget, she would not have incurred an overspend.
22. Ms Walker believes, the decision of the IPSA contingency panel was incorrect. On 4th April, she requested the Compliance Officer conduct a review.

Position of IPSA

23. This matter was considered by the IPSA Contingency panel held on 30th January 2020. They rejected the application made by Ms Walker on the basis that, the panel could only consider the spend that had been incurred at the point Ms Walker quit the property and at that point there was an overspend. They could not take in to account the snap election or her claim, that she would have found cheaper accommodation going forwards.
24. During the course of the review, the Compliance Officer has sought further information from the Head of Quality an Assurance Team, who confirmed, Ms Walker’s budget was pro-rated to £11,835 based on the fact that she moved out of her rented accommodation on 11/10/2019. In other words, the pro-rating happened before the election and was not, therefore, related to it. The overspend was the result of the costs Ms Walker claimed relating to that property, up to the date she moved out, which included rent and associated costs.
25. After the 11/10/19, Ms Walker had access to the hotel accommodation budget, which she claimed against. That would not have impacted on the rental accommodation budget (which is the subject of the review). Her accommodation budget would have been reinstated at the point, Ms Walker secured another rental property. As she never registered another rental accommodation, that budget was never reinstated.
26. If she had stayed in her rented accommodation, her pro-rated budget up to the date of the election would have been £17,190. However, IPSA pro-rate the budget to the date the MP moved out of rented accommodation in favour of hotel accommodation (as set out above). Ms Walker chose to move out in October, before the election was called, for the reasons set out in her application.

Considerations by Compliance Officer.

27. In conducting this review, the Compliance Officer has to decide whether or not there are any grounds to overturn the decision of the contingency panel.
28. The guidance on the contingency panel process is set out in Section 10.10 of “the Scheme” which states:

IPSA may decide to accept or reject an application at its discretion. In considering its decision IPSA shall take in to account the following factors:

- a. whether there are exceptional circumstances warranting additional support;*
- b. whether the MP could reasonably have been expected to take any action to avoid the circumstances which gave rise to the expenditure or liability; and*
- c. whether the MP's performance of parliamentary functions will be significantly impaired by a refusal of the claim.*

29. In this case, Ms Walker is of the view the circumstances were exceptional, in that, the snap election could not have been predicted at the time she gave up the tenancy to her flat. She also argues, that she for saw the overspend and in order to avoid it, moved out of the property with the intention of finding a cheaper option.
30. The position of IPSA is that, at the point Ms Walker gave up the tenancy on her property, her pro-rated budget was calculated and she had incurred an overspend. They do not believe the circumstances were exceptional as tenancy on the flat had been relinquished before the general election was called and therefore cannot be taken in to account. The panel could not consider any future action the MP may have taken, with regards to securing a cheaper property.
31. The Scheme, at Chapter 4, sets out guidance in relation to accommodation costs. There are two sections which are relevant to this review:
1. Paragraph 4.3 states:
“Accommodation costs may be claimed for **one** of the following:
 - a. hotel accommodation; or
 - b. rental payments and associated costs;
 - c. for MPs who own their property, associated costs only”.
 2. Paragraph 4.12 states:
“MPs may enter into a rental agreement which takes them over the budget limit, but they will have to fund the extra cost themselves”.
32. The Scheme does not cater for circumstances, where an MP starts the financial year with a rental agreement in place and then transfers to claiming hotel accommodation costs. There is no upper limit set for claiming hotel accommodation costs but each individual claim cannot exceed the daily rate set for hotel costs which is £175 for hotels in the London area.
33. After giving up the tenancy of her flat, Ms Walker made claims for 15 nights hotel accommodation costs between October 11th and 4th November which totalled £2625.00. Her total spends on accommodation costs which include both rental costs and hotel costs was £15,823.78p.
34. Her initial contingency panel application also covered the costs for hotel accommodation, but the hotel costs were discounted by IPSA as hotel accommodation costs do not count against the accommodation budget and were therefore not part of an overspend. For this reason, IPSA only considered the overspend on the pro-rated rental accommodation costs.
35. During the review, the Compliance Officer asked IPSA for further information, with regards to the what the pro-rated accommodation costs were for MPs up until the date of the General Election (12th December). The pro-rated accommodation budget up until that point was set at £17, 190.00.

36. The Compliance Officer then asked IPSA for their position with regards to the total spend of Ms Walker on accommodation which was £15,823.78, when they would have allowed her £17,190.00 if she had retained the tenancy on the flat. The Compliance Officer also pointed out, that had the tenancy on the flat been retained, at the point the MP lost her seat, IPSA would have also been liable to pay two additional months rent as part of the winding up costs.
37. The position of IPSA on this point is where an MP registered for rental accommodation for a partial year, the rental accommodation budget is pro-rated accordingly. The hotel accommodation budget is uncapped and does not count against any rental accommodation budget that the MP might have allocated to them in the year. Practically speaking, they are two separate budgets on the system.
38. The Scheme rules are set out to provide some control on expenditure of taxpayers' money, but also with other considerations in mind, such as limiting the personal benefit gained by MPs through the funding provided to them. In the case of rental accommodation, the budget has been set with reference to the average cost of a property in the areas of London closest to Parliament. Where an MP chooses to rent a property at a higher cost, they can do so but must fund the excess costs themselves.

Conclusion

39. The Compliance Officer has concluded that the decision of the IPSA contingency panel was correct. This is based on the criteria that has to be applied by the panel as set out in paragraph 28. In summary, the circumstances when the overspend was incurred cannot be deemed to be exceptional and the overspend did not impact on the MPs ability to fulfil her parliamentary duties, due to the fact she lost her seat in the December Election. In addition, in the intervening period between given up the tenancy on the flat and the General Election, IPSA continued to support the MP with her Parliamentary functions through the utilisation of the hotel accommodation budget.
40. The Compliance Officer, acknowledges and accepts Ms Walkers assertion she intended to find a cheaper property, and in order to try and avoid the overspend gave up the tenancy on the property. to do so. However, this only satisfies one strand of the criteria that has to be applied by the contingency panel. The other two strands cannot be applied in this case.
41. Prior to concluding this review, the Compliance Officer sent a copy of the provisional findings to both Ms Walker and IPSA offering them the opportunity to make representations. Neither party made any representations. The IPSA CEO has accepted the recommendation set out below, and assured the Compliance Officer, it will be addressed.
42. Section 6A(6) of the Act provides that an MP requesting a review may appeal the decision of the Compliance Officer to a 'First-tier Tribunal' if they are not satisfied with the outcome. The appeal must be submitted within 28 days of receiving the decision. Further information on how to appeal a decision by the Compliance Officer can be found at the following address: <https://www.gov.uk/guidance/mp-expenses-appeal-a-compliance-officers-decision>.

43. In accordance with the Guidance on the Conduct of Reviews by the Compliance Officer for IPSA, details of the review will be published in a manner decided by the Compliance Officer.

Review Recommendation

1. In the next edition of “The Scheme”, IPSA may wish to consider including a paragraph which explains the pro-rating process that is applied. (The only mention of it in the current Scheme, applies to a new MP winning a seat part way through a financial year. It does not explain what happens when an MP loses a seat part way through the year, or indeed, as in this case, gives up a property part way through the year having incurred an overspend).

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