



House of Commons
Committee on Members'
Expenses

The Operation of the Parliamentary Standards Act 2009

First Report of Session 2010–12

Volume I



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Parliamentary
Standards Act 2009**

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Volume I: Report, together with formal minutes

Volume II: Oral and written evidence

Written evidence is contained in Volume II, available on the Committee website at www.parliament.uk/members-expenses-committee

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Committee on Members' Expenses

The Committee on Members' Expenses is established under Standing Order No. 152G (as amended on 7 July 2011). Its role is to consider matters relating to Members' expenses referred to it by the House.

The matter of the operation of the Parliamentary Standards Act 2009 was referred by the House to the Committee on 12 May 2011.

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Part 1. Introduction

1. Why was the review established?

1. Following the expenses crisis of 2009, legislation was passed in haste establishing an independent body to devise a new system of payments to MPs and to administer it, replacing the old system of self-regulation by the House. The new system came into effect after the general election of May 2010, under the control of the Independent Parliamentary Standards Authority (IPSA). The great majority of current MPs agree that major changes to the old system had been needed and that independent regulation is better than self-regulation.¹ However, the new system quickly became the subject of criticism by MPs and others on various grounds, including the cost to the taxpayer, the time required to make claims and the impact on MPs' ability to do their jobs. In December 2010 the House agreed a motion calling on IPSA to introduce a simpler system by April 2011, and in May 2011 the House referred the matter to this Committee.²

2. Our review

2. The House instructed us to “review the operation of the Parliamentary Standards Act 2009 and make recommendations, giving due consideration to ensuring:

- a) value for money for taxpayers;
- b) accountability;
- c) public confidence in Parliament;
- d) the ability of Members to fulfil their duties effectively;
- e) fairness for less well-off Members and those with families; and
- f) that Members are not deterred from submitting legitimate claims.”³

3. We emphasise a number of points at the start of our report:

- Our purpose in this report is not to question the independent regulation of the system of payments to MPs or the need for transparency, and still less to seek to recreate something akin to the old, discredited system, but instead to examine whether the new system is achieving the aims that were set out for it and, where appropriate, to suggest how it could be modified to achieve those aims better.
- We seek in this report to reduce the cost of the system to the taxpayer. The criticisms by MPs are much less about the sums they are able to claim (which will anyway continue to be determined independently) and much more about the impact on Parliament's

1 National Audit Office (NAO), *Independent Parliamentary Standards Authority: the payment of MPs' expenses* (July 2011), HC 1273, 2010–12 (hereafter: NAO), p 20. The figures in the NAO's survey were 70% and 53% respectively agreeing with the two propositions, with 23% against in each case (see para 32 below).

2 *Votes and Proceedings*, 2 December 2010, 12 May 2011.

3 *Votes and Proceedings*, 12 May 2011.

ability to function effectively and the ability of MPs' and their staff do their jobs effectively on behalf of constituents.

- Our view of the purpose of a payments system for MPs is that it should provide what the MP needs to carry out his or her parliamentary duties effectively—no more and no less. It should be designed to minimise the opportunity for political parties to benefit from the system or MPs to obtain a personal benefit from it. At the same time it should not be so confined that MPs have to pay from their own taxed income for expenses necessarily incurred in performing their parliamentary duties.
- Enabling MPs to perform their parliamentary duties effectively is not a purely personal interest of the MP but is essential for MPs to serve their constituents and for Parliament to fulfil its role.
- We support the principle (first set out by the Committee on Standards in Public Life (CSPL)) that Members should be treated the same in these respects as other citizens, unless there is a clearly justifiable reason for different treatment. We note the view of the CSPL that, although none of the unusual features of MPs' roles is unique to them, "what appears to set MPs apart is the unique combination of demands and expectations".⁴

4. MPs are office-holders, rather than employees or self-employed. It is important to distinguish between different sorts of costs they incur in carrying out their duties as office-holders:

- Costs which are commonly regarded as personal to the MP, such as travel and accommodation. These are correctly termed "expenses", and are capable of providing a personal benefit to the MP. The principle of treating MPs like other citizens unless there are reasons for different treatment applies strongly to these costs. Nevertheless, as the CSPL recognised, the requirement to work in two places (Westminster and the constituency) and to travel regularly between them is an unusual aspect of the MPs' work,⁵ and few other citizens experience it on such a regular basis.
- Office costs, notably staff, office rent and office equipment and communications. These are the bulk of the costs incurred by MPs, with staff forming by far the largest item. Here it is harder to compare MPs with other citizens, since most workers have staff and office accommodation and equipment provided for them rather than having to claim for them. According to the Comptroller and Auditor General, the costs incurred by MPs are more like those involved in running a business than those of a normal expenses system for employees.⁶ The term "expenses" is not a good description of these costs, which is why IPSA now refers to "business costs" or "expenses and costs".⁷ We

4 Committee on Standards in Public Life, *MPs' expenses and allowances* (November 2009), Cm 7724 (hereafter CSPL), paras 2.9, 3.3.

5 CSPL, para 2.8.

6 Fifty-first report from the Committee of Public Accounts, 2010–12, *Independent Parliamentary Standards Authority*, HC 1426, (hereafter: PAC), Q 33.

7 Ev 74, para 26; PAC, Q 33.

have used the expression “payments for office costs” to refer to this part of the scheme operated by IPSA.

5. There are of course also payments to MPs in the form of salaries and pensions. IPSA will soon be determining those as well as expenses and other costs, and we share IPSA’s view that the whole package of remuneration and support needs to be considered together.⁸

6. In conducting the review we have concentrated on the matters specifically referred to us by the House. We have taken oral and written evidence from a range of witnesses, and are grateful to all of them for the time and trouble they have taken. We were fortunate to have the benefit of the report of the National Audit Office (NAO) of July 2011 on *The payment of MPs’ expenses*. In particular, the NAO’s survey of MPs, to which 50% of MPs responded, provided us with wider and more systematic coverage of their views than we could have achieved ourselves.⁹ We did, however, conduct our own survey of MPs’ views in late November and early December, obtaining replies from 206 MPs—32% of the House. The results are in Annex 1.

7. Our report has four parts. We first sketch in the background, including the history of payments to MPs and comparisons with other parliaments and assemblies. Then we examine one by one the aims on which the scheme is or was intended to be based. The next part considers operational matters, such as the claims process. Finally we draw out observations and conclusions and make recommendations.

3. What is the purpose of the MPs’ payment scheme?

8. It would be reasonable to expect IPSA’s aims to correspond to the purpose of the MPs’ payment scheme. The 2009 Act gave IPSA tasks but set out no principles or aims to guide it. The CSPL noted in November 2009 that the new body was “not just there as a control mechanism for expenses, but also to ensure that MPs are properly supported to do their jobs”. It recommended that “The independent regulator should have a statutory duty to support MPs efficiently, cost-effectively and transparently in carrying out their parliamentary functions”.¹⁰ There is a clear public interest in MPs being enabled to do their work effectively. As Barry Winetrobe, a parliamentary and constitutional consultant, put it, “The proper resourcing of the people’s elected representatives is a necessary precondition for a modern representative parliamentary democracy.”¹¹

9. Apparently in response to the CSPL, the 2010 Act provided that “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”.¹² This wording differed from what the CSPL had recommended. The Chair of IPSA was emphatic that the duty was not a straightforward one of supporting MPs in carrying out their parliamentary functions, but a duty to “have

8 Q 1.

9 We obtained from the NAO the individual anonymised observations made by MPs.

10 CSPL, para 13.14 and Recommendation 41.

11 Ev 111, para 1.

12 Constitutional Reform and Governance Act 2010, Chapter 25 (hereafter: 2010 Act), s.28 (2).

regard” to the principle of doing so: IPSA’s “statutory mandate is not ... to support MPs. It is to have regard to the principle that we should support MPs in the execution of their parliamentary duties. ... in that process of having regard we have to take account of the public interest as well.”¹³

10. In his view this was fundamental to IPSA’s role:

- It meant that IPSA was the sole judge of where the public interest lay, which involved striking a balance.¹⁴
- It meant that IPSA did not have customers or clients, and in particular that MPs were not its customers or clients. If there was a client at all it was the taxpayer.¹⁵
- It made clear that it was not for MPs to decide what constitutes proper support; if it were, there would no longer be independent regulation of expenses.¹⁶

11. Taking account of the public interest is not explicitly mentioned in the Act as IPSA’s guiding principle. Nevertheless, the Chair of IPSA has correctly set out what the law says about it supporting MPs. The CSPL reiterated to us its view that “The administration of an expenses system is not an end in itself. The purpose and primary function of the expenses scheme is to support Members of Parliament effectively in carrying out their duties”.¹⁷ The NAO’s view is that the scheme “ultimately exists in order to enable MPs to do their job”.¹⁸ The Clerk of the House told us that “it is essential that any system of expenses meets the needs of Members of Parliament in performing their duties efficiently and effectively and without being put under any disproportionate burden of bureaucratic regulation”.¹⁹

12. The difference between the two positions has significant consequences. On the one hand, adopting IPSA’s view, enabling MPs to carry out their functions is just one consideration to be taken into account in pursuing the public interest. On the other hand, adopting the CSPL’s view, supporting MPs effectively is the primary purpose, in pursuing which IPSA has to take into account other factors such as cost-effectiveness, prevention of abuses and increasing public confidence. Crucially, even under the wording suggested by the CSPL, the judgment on what support MPs needed would remain a matter for IPSA, contrary to the view of the Chair of IPSA, and there would therefore continue to be independent regulation. The Speaker’s Committee on IPSA, which sets IPSA’s budget, might question whether IPSA was providing enough support, and has the power (subject to the House’s approval) to increase its budget, but it could not force IPSA to disburse any additional funds.

13 Q 10. See also Q 251.

14 Q 251.

15 Q 3.

16 QQ 251–3; paper by Sir Ian Kennedy, 20 September, available at www.parliamentarystandards.org.uk/NewsAndMedia/Speeches/Sir_Ian_Kennedy_article_-_September_2011.pdf. See also Ev 73, para 11.

17 Ev 96, para 15.

18 NAO, para 25a.

19 Ev 111, para 9. The Clerk of the House was then Sir Malcolm Jack, who retired at the end of September 2011.

13. We regard the difference between the primary duty as interpreted by IPSA and as envisaged by the CSPL as fundamental to what has gone wrong, affecting not so much what support is made available as the way the system is run. We return to this point later.²⁰

²⁰ Paras 174, 203 below.

Part 2. Background

4. History of payments to MPs

14. The history of payments to MPs can be divided into four periods:

- Before 1911, when there were neither salaries nor allowances.
- From 1911 to 1971, when the payment was intended both as salary and expenses.
- From 1971 to 2010, when salary and expenses were separate.
- From 2010 to date, when the expenses system (and later MPs' pay) came under the control of an independent body rather than being self-regulated by the House.

15. We note that for tax and other purposes MPs are classified as office-holders, by virtue of holding a “position which has an existence independent of the person who holds it and may be filled by successive holders”.²¹

Before 1911

16. MPs were not officially paid until 1911. From the 13th century shires and boroughs sometimes paid their MPs and met some of the expenses of sending them to Westminster. This practice ceased by the end of the 17th century. Thereafter MPs required personal wealth or a wealthy sponsor to sustain a career in Parliament; as Samuel Pepys recorded: “At dinner ... all concluded that the bane of the Parliament hath been the leaving off of the old custom of the places allowing wages to those that served them in Parliament, by which they chose men that understood their business and would attend it, and they could expect an account from, which now they cannot.” In 1780, a committee chaired by Charles James Fox recommended the introduction of a government payment to MPs. The 1830 Reform Bill and the People's Charter of 1838 also proposed the introduction of a payment. Motions or Bills proposing a payment to MPs were introduced in the House of Commons unsuccessfully in 1870, 1888, 1892, 1893, 1895 and 1903.²²

1911–1971

17. The rise of the Labour Party increased demands for the introduction of a payment to MPs. In 1909, financial support from trade unions to Labour MPs was successfully challenged in the courts (the Osborne judgment). This led directly to the introduction of a payment of £400 to each MP (except Ministers) in 1911.²³

18. Lloyd George, then Chancellor of the Exchequer, stated in debate that the £400 was “not a remuneration, it is not a recompense; it is not even a salary. It is just an allowance,

21 Ev 104, para 2 (HMRC).

22 House of Commons Information Service, Factsheet M5, *Members' pay, pensions and allowances*, revised May 2009; available at www.parliament.uk/documents/commons-information-office/fymp/m05.pdf.

23 Ev 114.

and I think the minimum allowance, to enable men to come here, men who would render incalculable service to the State and whom it is an incalculable loss to the State not to have here, but who cannot be here because their means do not allow it.” He added that “The only principle of payment in the public service is that you should make an allowance to a man to enable him to maintain himself comfortably and honourably, but not luxuriously, during the time he is rendering the service to the State.”²⁴ However, the motion passed by the House referred to the £400 as a salary. In fact it combined salary and allowance, and the Inland Revenue (from 1912) treated it as such, with a quarter of the amount regarded as an allowance to meet expenses and free of tax.²⁵

19. The introduction of the payment was controversial. Some MPs argued that it would result in a new and undesirable class of professional politician. The Government’s view was that MPs’ costs had grown with the increase in workload, and that membership of the House should be made more representative of the nation as a whole by allowing those without independent means to serve.²⁶

20. Themes of the next 60 years included the following:

- Reluctance by governments to increase the sum. The £400 of 1911 remained unchanged until 1937, from which date it rose at irregular intervals. There were only ad hoc reviews until 1971.
- Uncertainty about how much of the sum was salary as opposed to an allowance to cover expenses, reflected in changes in Inland Revenue rules. The categories of expenses allowed by the Inland Revenue foreshadowed the later range of allowances.
- A reluctance to link the level of the salary to any other occupation.
- Few separate allowances and little other provision, the earliest being free stationery in 1911, free rail travel in 1924 and support for office accommodation in 1950. A secretarial allowance was not introduced until 1969.²⁷

21. Reviews during the period took place as follows:

- 1920. Increases in the cost of living following the First World War led to the appointment in November 1920 of a select committee “to consider the salary allotted to Members of this House, the travelling and other expenses incurred by them in connection with their parliamentary duties”. The committee concluded that, although the £400 payment was inadequate, a pay increase could not be recommended due to the state of the national economy. Shortly afterwards the Government proposed that the whole £400 payment be treated as exempt from tax, but there was public opposition

24 Ev 114.

25 Ev 114.

26 Ev 114.

27 House of Commons Library, Standard Note, ‘Members’ pay and allowances—a brief history’ (May 2009), SN/PC/05075, pp 8, 9, 11.

and the House rejected the proposal on 1 June 1921.²⁸ After 1921 the cost of living began to fall.

- 1937. The Prime Minister, Stanley Baldwin, conducted informal soundings with MPs and then announced his Government's intention to increase the £400 payment to £600. The House agreed this on 22 June 1937. Baldwin's successor, Neville Chamberlain, put the case for the increase as follows: "It is obvious that the circumstances are different in the case of almost every individual Member. On the one hand, one does not want to fix the salary so high that it becomes an inducement to people to enter this House for the purpose of earning more than they would earn outside and, on the other hand, we do not want to fix it so low that men or women who could give valuable service to the House should be prevented from doing so merely by the fact that they have not sufficient means to afford it."²⁹
- 1945–6. Increases in the cost of living resulted in 1945 in the appointment of a select committee "to consider the expenses incurred in connection with their parliamentary and official duties by Members of this House". The committee recommended in 1946 an increase in the payment to £1,000, of which £500 should be a tax-free, flat-rate expense allowance. With parliamentary and public opinion opposed to a flat-rate allowance, the Government instead proposed an increase in salary to £1,000 without any change in tax relief. A resolution to that effect was passed on 29 May 1946.³⁰
- 1953–54. Living costs continued to rise, and a select committee was appointed in November 1953 to consider and report on "the nature and extent of the expenditure incurred by Members of this House in the performance of their duties". The committee concluded that the £1,000 payment was too low to allow MPs without independent means to perform adequately their parliamentary duties, and recommended that the salary be increased to £1,500 and the £100 tax-free element (dating from 1912) be discontinued. It rejected the introduction of additional free services and tax concessions in favour of a straightforward increase in salary.³¹ The Government was unwilling to agree the increased salary, due to its policy of restraint in public sector salaries, and instead introduced in July 1954 an allowance of £2 for every day that the House sat (except Fridays). The Prime Minister described it as "a cash reimbursement, related to the actual sittings at Westminster, of the subsistence and other expenditure which Members are obliged to incur."³² It replaced the £100 tax-free element, though, as before, MPs could deduct expenses from income for tax purposes.
- 1957. In July 1957 the House agreed a government proposal that the £1,000 salary should remain unchanged, but the £2 daily allowance should be replaced by a payment of £750 in respect of expenses, which would be "a straightforward addition to salary" (and taxable).³³

28 Ev 115–16.

29 HC Deb, 22 June 1937, c 1052.

30 Ev 116–17.

31 Ev 117.

32 HC Deb, 8 July 1954, cc 2347–8.

33 Ev 118.

- 1964. The Lawrence Committee, which reported in 1964, undertook the first external review of MPs' pay.

22. The Lawrence Committee considered but rejected as impractical the possibility of varying the remuneration of individual MPs according to their circumstances. Instead it recommended that all MPs should receive the same salary, which should “enable those Members who are without private means or the opportunity to earn income outside the House efficiently to discharge the duties of the service without undue financial worry and to live and maintain themselves and their families at a modest but honourable level.” An increase from £1,750 to £3,250 a year was recommended, of which £1,250 was assumed to cover expenses.³⁴

23. The Committee also rejected any linkage between the salaries of MPs and civil servants; did not recommend any separation of salary and expenses; and recommended a contributory pension scheme.³⁵ A contributory pension scheme was introduced with effect from October 1964.

1971–2010

24. Rising inflation resulted in MPs' salaries and expenses being referred to a new pay review body, the Top Salaries Review Body, in 1970. In 1971 the Body inaugurated a new era by recommending a clear separation of salary and expenses, regular reviews of salary and the creation of a system of allowances. Its view was that “in future, a clear separation should be observed between salary, on the one hand, and provision for expenses on the other. ... it should not normally be the responsibility of the individual Member to finance the facilities he needs to do his job.”³⁶ Thereafter there were four main allowances: car allowance, secretarial allowance, additional costs allowance (for the cost of working away from home, introduced as an annual payment of up to £750) and London supplement (for MPs not entitled to additional costs allowance).

25. Themes in this period included:

- Continuing reluctance of Governments to raise MPs' salaries, and much greater willingness to increase allowances.
- MPs' increasing workloads.
- Growth in the range, scale and complexity of payments to cover expenses, with increasing scope for abuse.
- Eventually, increasing disquiet about the potential for abuse of the expenses system.

26. Important developments in the payments system included the following:

- Additional costs allowance, meeting the extra cost of living and working in two separate places, began in 1971 as a payment reimbursing expenses of up to £750 a year,

34 *Report of the Committee on the Remuneration of Ministers and Members of Parliament*, Cmnd 2516, paras 33–7, 53.

35 *Ibid*, paras 39, 52, 75–6.

36 Ev 120.

instead of the daily subsistence rate recommended by the Review Body. Notable changes were allowing it to be used to meet the cost of mortgage interest in 1985 and a large increase in 2001 (resulting from a backbench amendment rather than an external recommendation) from £13,322 to £19,469.

- The secretarial allowance (one full-time secretary per MP in 1969) developed by 2007 into a budget sufficient to employ up to 3.5 full-time staff.
- From 1977 part of the staffing budget could be used for office equipment, and funding for the cost of running an office became a separate budget in 2001.
- A Communications Allowance, “to assist in the work of communicating with the public on parliamentary business”, was introduced in 2007.³⁷

27. An important part of the background to these developments was change in MPs and their work. As the workload increased (Annex 2) it became less credible to argue that an MP’s work was not full-time. The growth in constituency work was particularly important, and a home in or near the constituency or at least a constituency office became more necessary. The Members Estimate Committee in 2008 summed up the growing workload as follows: “first, scrutiny of the executive has been significantly enhanced through the advent of select committees; second, demands from the public for direct help with problems have increased; and thirdly, legislation is more complex with three elements—primary, secondary and European. This has been coupled with a rising expectation from the public for open reporting, transparency and a professional approach to the business of representative democracy.”³⁸ One measure of the increasing workload was the dramatic increase in the quantity of mail received: from an average of 12 to 15 letters per MP per week in the 1950s and 1960s to an average of more than 300, plus emails, faxes and phone calls by 2007.³⁹ Other figures indicate an increase in the total number of letters coming into the Commons from 10,000 a week in 1964 to 40,000 in 1997 and 74,000 in 2006, the peak year.⁴⁰

28. It has often been stated that allowances were increased as an alternative to the much more controversial raising of salaries. At least once, in May 1974, a Minister explicitly referred to a strategy of holding down the salary while increasing allowances.⁴¹ Several MPs and former MPs have suggested that they were encouraged by party whips to make up for deficiencies in salary by claiming as much as possible as allowances. For example, the former MP Mike Thomas stated that, in 1976, following an acrimonious meeting about pay with the Leader of the House, Michael Foot, word came back from the whips that “it was ‘untimely’ to increase salaries significantly but a new range of allowances would be put in

37 House of Commons Library, Standard Note, ‘Members’ pay and allowances—a brief history’ (May 2009), SN/PC/05075.

38 Third Report from the Members Estimate Committee, 2007–08, *Review of allowances*, HC 578 (hereafter: MEC), para 7.

39 First Report from the Select Committee on Modernisation of the House of Commons, 2006–07, *Revitalising the Chamber: the role of the backbench Member*, HC 337, para 15.

40 Oonagh Gay, ‘MPs go back to their constituencies’, *Political Quarterly*, vol 76 (2005), p 58; information from the House of Commons Library.

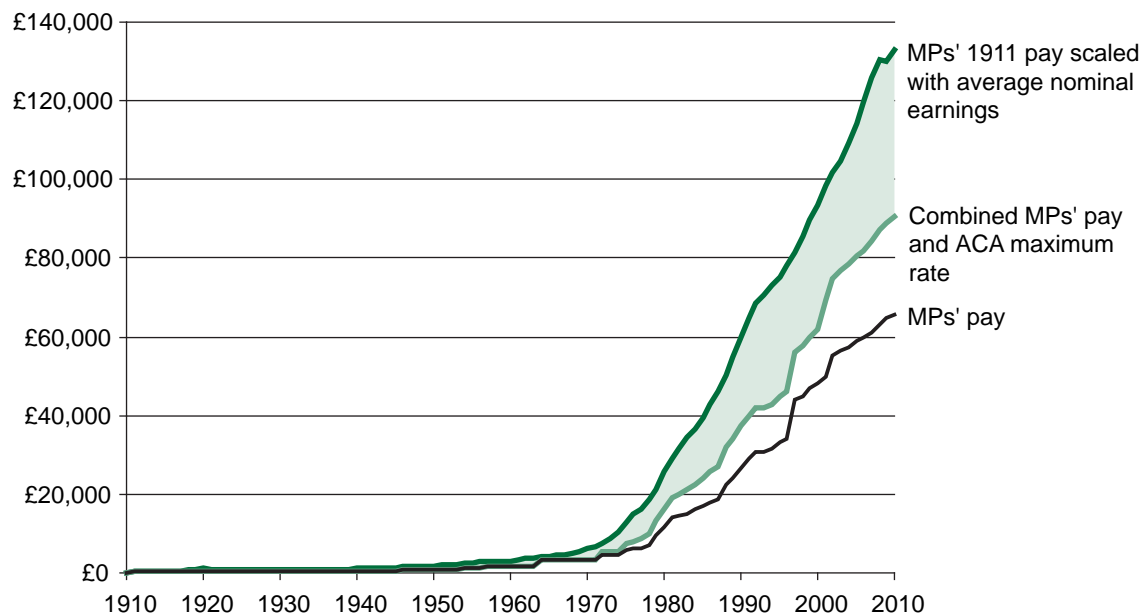
41 Ev 121.

place and nobody would ask too many questions about claims for them. This was done and there was no public outcry.”⁴²

29. None of this meant that the allowances could be claimed regardless of whether the costs were incurred. Rules and principles existed, even though the requirement for evidence and the checking of claims were lax. On the other hand it was certainly the case that the additional costs allowance covered some expenditure which would otherwise have been paid out of salaries, such as white goods, home furnishings and home improvements. Matthew Parris described it to us as “a sort of curious hybrid, half-way between a proper expenses system and an allowances system”.⁴³ Thus the separation of salary and expenses envisaged in 1971 was muddled, eventually with disastrous results in 2009.

30. MPs’ pay increased, but fell behind the increase in average earnings, even if accommodation expenses are included, as shown in Chart 1. Indeed Chart 1 emphasises the extent to which increasing accommodation expenses were a substitute for higher salaries. At the same time the MP’s workload increased significantly, as shown in Annex 2. From 1988 there was a link with civil service pay, combined with periodic reviews. From 2008 pay was automatically updated annually in line with that of 15 groups of public sector workers. The SSRB stated in 2007 its view that pay “should be neither so low as to deter suitable candidates, nor so high as to be the primary attraction of the job”.⁴⁴

Growth in MPs’ actual pay 1911–2010 (plus accommodation expenses from 1971), compared to MPs’ 1911 pay uprated in line with the growth of average nominal earnings



Source: *Earnings index from www.measuringworth.com*

42 Michael Rush and Philip Giddings, “Worlds apart: explaining the MPs’ expenses scandal”, paper presented to the Ninth Workshop of Parliamentary Scholars and Parliamentarians, 24–5 July 2010, Wroxton College, Banbury, pp 9–10.

43 Q 88.

44 Cm 7270–1, summary para 4.

The expenses scandal

31. The major review of the expenses system by the Members Estimate Committee in 2008 was prompted by a case of misuse of the staffing allowance, together with increasing concern about the system in general.⁴⁵ There was also a growing likelihood that the House would be required to publish detailed information on expenses under the Freedom of Information Act. The Committee produced detailed proposals for reform, but most of them were rejected by the House in July 2008.⁴⁶ Some changes were made in early 2009, including the requirement for receipts for all claims and full-scope audit (i.e. looking beyond the MP's signature) by the NAO. From April to November 2009 MPs' expenses and allowances were investigated by the Committee on Standards in Public Life, which produced a thorough and wide-ranging report.

32. Preparations for the publication of claims and receipts following decisions by the Information Tribunal and the High Court under the Freedom of Information Act resulted in the leaking of the entire body of material, much of which was then published in the *Daily Telegraph* in May–June 2009. This revealed a system which could not be defended, and had two main consequences for the system itself:

- An immediate reduction in May 2009 in the scope of what could be claimed under the additional costs allowance,⁴⁷ together with many other changes, such as a freeze on second-home designations (subject to appeal) in order to prevent “flipping”.⁴⁸ These measures remedied the most abused aspects of the old system, and were combined with greatly increased transparency, especially from the House's second expenses publication, and much improved arrangements for audit and assurance. When 23% of MPs responding to the NAO's survey disagreed that the old expenses system had required major change, most if not all were referring to the reformed system of 2009, as many made explicit in their replies.⁴⁹
- The proposal for an independent body responsible for all aspects of payments to MPs.

The establishment of IPSA

33. On 20 May 2009, the then Leader of the House, Harriet Harman, announced that there was cross-party agreement on the need to move from the discredited system of self-regulation to “independent external regulation”, ending “the gentlemen's club approach”. Alan Duncan, then Shadow Leader of the House, agreed that, if the House was not to “sink further in the eyes of the voters [MPs had to] relinquish the right to determine how we reward ourselves”. David Heath, for the Liberal Democrats, added that the House had “forfeited the right to self-regulation”.⁵⁰

45 MEC, paras 3–4.

46 *House of Commons Journal*, 2007–08, 3 July 2008.

47 By then renamed Personal Additional Accommodation Expenditure (PAAE).

48 HC Deb, 19 May 2009, c 1421.

49 The NAO's question referred to “The system for reimbursing MPs' expenses that was in place before the last General Election”.

50 HC Deb, 20 May 2009, cc 1505, 1507, 1509.

34. The then Prime Minister, Gordon Brown, announced on 10 June 2009 his plans for the new independent body to take responsibility for Members' allowances. He declared that the House had "let the country down" in its management of MPs' allowances and that MPs now had a "collective duty to clear up [the] House in the interests of democracy". He added that "Each of us has a part to play in the hard task of regaining the country's trust ... Without that trust, there can be no legitimacy."⁵¹ David Cameron, then Leader of the Opposition, supported the establishment of the body, as did Nick Clegg, Leader of the Liberal Democrats.⁵²

35. Establishment of the independent body, known as the Independent Parliamentary Standards Authority (IPSA), was provided for in the Parliamentary Standards Act 2009 (referred to here as the 2009 Act), which was itself heavily amended in the Constitutional Reform and Governance Act 2010 (the 2010 Act). The 2009 Act received Royal Assent in July 2009, IPSA was formally established in October 2009, IPSA's Chair and Board members were appointed in December 2009, consultation on the new scheme began in January 2010 and the new scheme came into operation on 7 May 2010.⁵³

36. We congratulate the then Prime Minister, party leaders and Parliament on their decision to establish an independent system of payments for MPs' costs. This provided the opportunity to establish a system which not only enabled MPs to fulfil their duties but was also regarded as fair and open by the public. The aims which they intended the new system to achieve were the right ones. However, the new system was devised and implemented in haste, without enough time to examine whether the new structure was likely to achieve those aims in practice. Our intention has therefore been to examine whether the aims are being achieved, and where they are not to propose changes to bring that about.

5. IPSA and the current expenses scheme

37. IPSA was given responsibility not only for devising a new scheme for MPs' allowances or expenses but also for administering it and regulating it. Under the scheme, all claims must be accompanied by evidence, must be certified by the MP as having been incurred because of parliamentary duties and must be submitted within 90 days. Following recent changes, the main elements (closely resembling those provided by the House before 2010) are:

- Accommodation (up to £19,900 a year in the case of London Area accommodation), covering rental payments and associated bills or hotel costs only, but with transitional provision for existing mortgages until August 2012.
- London Area Living Payment (£3,760 a year, plus an additional £1,330 in 24 outer London constituencies), a flat-rate sum for London-area MPs, who are not able to claim for accommodation, and for other MPs who choose not to do so.

51 HC Deb, 10 June 2009, cc 795, 809.

52 HC Deb, 10 June 2009, cc 799, 802.

53 NAO, p 13.

- Office costs expenditure (up to £21,500 a year, but £24,000 in the London Area), covering constituency office rent, office equipment and communication costs.
- Staffing (up to £115,000 a year). Costs such as replacement staff to cover for maternity leave and long-term sick leave are met from a central budget.
- Travel (uncapped), mainly between the constituency and London or within the constituency, and including some travel by staff and family members.
- Subsistence (uncapped) in certain circumstances (eg if the House sits beyond 1 am and it would not be reasonable for the MP to return to a residence).
- Contingency funding.⁵⁴

38. IPSA processed 134,696 separate claim lines between May 2010 and March 2011. Since January, only 0.5% of claims have been rejected, amounting to 0.2% of the sum paid out, and most if not all rejections have been the result of mistakes in claims.⁵⁵ The most numerous types of claim from 1 April to 1 October 2011 were for phone bills (6,063), stationery (4,502), interns' expenses (7,181), mileage (19,870), train fares (8,051) and travel by staff members (5,387).⁵⁶

39. **Dissatisfaction among MPs has been less about what is covered and the sums available than about the process of claiming, the damage caused by the system to the reputations of individual MPs and to Parliament, as discussed later, and about MPs' time taken away from their constituents and parliamentary duties.** Nevertheless, we acknowledge that IPSA was given an extremely challenging task to carry out within an exceptionally short timescale. The fact that it succeeded in setting up a new payments system at all in the time available reflected a great deal of hard work by the staff of IPSA. The Office of Government Commerce stated that "in October 2009, the task looked well nigh impossible ... Eight months later, the impossible has been delivered ... this has been a success story, and deserves to be recognised as such."⁵⁷ As the NAO put it, IPSA "began providing services to MPs on time in May 2010; this was a major achievement by the Authority."⁵⁸ On the other hand, while in administrative terms the setting up of IPSA and the new scheme on time was a success, policy decisions by IPSA's Board have obstructed the achievement of some of the aims set out in 2009, as discussed in detail later in our report.⁵⁹

40. IPSA has sought to improve the operation of the scheme. Recent changes include:⁶⁰

- Improvements to the on-line claims system.

54 IPSA, *The MPs' expenses scheme: third edition* (May 2011), HC 954, 2010–12 (hereafter: IPSA Scheme).

55 NAO, paras 3, 10, 2.3; PAC, QQ 48, 51.

56 IPSA, *Annual review of the MPs' scheme of expenses and costs: consultation* (November 2011), pp 33–4.

57 Ev 76, para 43.

58 NAO, para 6. See also *ibid*, para 1.7.

59 See para 176 below.

60 Ev 74, para 22; Ev 75, paras 32–3; Ev 77, paras 49–50; IPSA, note on 'Changes to the MPs' expenses scheme' (April 2011).

- Greater use of the payment card and direct payments (including new arrangements for train travel), which should result in less bureaucracy, reduced cashflow problems for MPs and less money passing through MPs' bank accounts.
- A narrower definition of the area around London within which MPs may not claim for accommodation, together with a new higher rate of London Area Living Payment for MPs in the outer part of the London Area.⁶¹
- Changing the rules about family accommodation, allowing claims to be made for extra funding for dependent children up to the age of 16, or 18 in full-time education, instead of up to five years as before.⁶² The rules on travel by partners have also been modified.
- Merging of the budgets for office rent and other office costs, together with less prescriptive rules.
- A wider definition of "extended travel" so MPs can claim for travel outside their constituencies where it concerns a matter before Parliament.
- A start-up allowance of £6,000 for new MPs.

41. These changes are welcome, but we note that all of them, except the last two, are intended to remedy defects in the scheme which IPSA was warned about in February 2010 by our predecessors on the Committee on Members' Allowances in response to IPSA's original consultation paper.⁶³

42. IPSA's "strategic aim is that the Scheme should evolve, so that it becomes:

- increasingly streamlined and simple to operate both for MPs and IPSA;
- increasingly based on payments not needing to be made personally by MPs and then reclaimed; and
- less prescriptive and rule-based, leaving MPs increasing discretion in how money is spent, assuming that the evidence, particularly regarding appropriate levels of assurance, warrants it and that it commends itself to the public."⁶⁴

43. An important purpose of our report is to determine whether the changes made or planned by IPSA are sufficient and to make recommendations accordingly.

The London Area Living Payment

44. The London Area Living Payment (LALP), a flat-rate supplement added to the salaries of London Area MPs and some other MPs, is of particular interest, in view of IPSA's opposition to flat-rate supplements.⁶⁵ IPSA has not only retained the LALP from the pre-

61 The latter implements a CSPL recommendation: see CSPL, para 5.79.

62 Provision for dependent children up to 21 in full-time education if the MP is the sole carer remains as before.

63 *Response by the Committee on Members' Allowances, House of Commons, to IPSA's consultation paper on MPs' expenses* (February 2010) (hereafter: MAC), paras 31–2, 37, 71, 65–6, 102, 129.

64 IPSA, *Corporate Plan 2011–2015*, p 4, para 13.

65 Q43; IPSA, *Annual review of the MPs' scheme of expenses and costs: consultation* (November 2011), para 95.

2010 scheme but has introduced a new flat-rate supplement for outer London constituencies.

45. The London Supplement (now the LALP) was until 2008 available only to Inner London MPs (who were not eligible to claim accommodation costs) and to Outer London MPs who chose not to claim for accommodation costs. It was reviewed in 2007, by PricewaterhouseCoopers (PwC) for the SSRB. PwC noted that London allowances in general were “paid primarily to reflect the relatively higher cost of living in London”, but also sometimes to attract and retain key staff in London, though the latter did not apply to MPs. They added that

we believe greater clarity as to [the] purpose of the London Supplement is desirable. In our view it should not be seen as an amount to cover the additional costs of living and travelling in central London, but should be considered as the amount of additional salary that would normally need to be paid to employees who work in London, paid as a market premium to reflect the additional housing and other living costs in London. The London Supplement should not be regarded as a smaller taxable alternative to the ACA, which is a separate payment to reimburse the costs of staying away from an MP’s main home.⁶⁶

46. The SSRB itself did not respond to this invitation to clarify the purpose of the London Supplement.⁶⁷ In 2008 the Members Estimate Committee observed that MPs outside London but within commutable distance received no financial support towards their subsistence costs unless they chose to run a second home, which was a perverse incentive, and recommended that any MP not claiming accommodation costs should be eligible to claim the London Supplement.⁶⁸ The House made this change. IPSA has continued to pay the London Supplement (renamed LALP) both to MPs not eligible to claim for accommodation costs and to MPs who choose not to do so. Its scheme states that the payment “is intended to contribute towards the additional expenses of living in the London Area or of commuting regularly to the London area”.⁶⁹

47. As for the amount, on the basis of a widely varying range of London supplements for 12 groups of public sector professions which “we would consider comparable to that of an MP”, PwC recommended £4,000 per annum.⁷⁰ The SSRB simply noted that most other public sector employees in comparable roles in London received between £3,000 and £4,000 (though in fact five of the 12 examples were above that range for Inner London and three were ranges extending above £4,000), and recommended £3,500.⁷¹ The SSRB’s recommendation was not implemented, but in 2009 the CSPL recommended that the amount should be the SSRB’s £3,500 plus uprating, bringing the figure to £3,760.⁷² IPSA

66 Review Body on Senior Salaries, Report No. 64, *Review of parliamentary pay, pensions and allowances 2007*, Cm 7270–2, pp 31–2, para 4.18.

67 Cm 7270–1, paras 5.58–5.59.

68 MEC, paras 226, 234.

69 IPSA Scheme, para 5.1.

70 Cm 7270–2, pp 30–2.

71 Cm 7270–1, para 5.59.

72 CSPL, para 5.76 and Recommendation 8.

implemented this recommendation.⁷³ The current figure is therefore based on a very broadbrush comparison from 2007 with various public sector workers rather than on any objective assessment of the extra costs of living in the London area. For MPs outside the London Area who choose not to claim for accommodation costs and instead receive LALP in recognition of “the additional expenses of ... commuting regularly to the London area”,⁷⁴ the amount seems to constitute compensation for not claiming accommodation costs rather than to be based on the actual additional expenses. LALP is an addition to salary; as IPSA puts it, “You don’t need to send us any evidence of how you spend it”.⁷⁵

48. In 2011, IPSA created an additional London supplement for MPs representing 24 constituencies outside Greater London but inside its own “London Area”. The extra £1,330 per year for these MPs in addition to the £3,760 represents the average cost of a return rail ticket at peak time multiplied by four days a week for 30 weeks a year, plus allowance for 40% tax.⁷⁶ As IPSA does not pay commuting costs, this seems to be an attempt to place all London Area MPs on a reasonably equal footing.

49. We note that neither the long-established London Area Living Payment nor the more recent Outer London supplement have attracted criticism.

6. International and UK comparisons

50. Michael Rush and Philip Giddings of the Universities of Exeter and Reading warned us that comparisons with other legislatures are complicated by variations in their constitutional position and institutional arrangements. Such variations include those between federal and unitary systems, between bicameral and single-chamber legislatures and between countries of different size (to which we would add variation in population served and in number of sitting days a year): “Failure to take account of such differences can result in facile comparisons being made”.⁷⁷ Nevertheless, they acknowledge that data from other states can be useful in comparing the support provided. We have largely confined ourselves in this respect to taking advantage of the NAO’s valuable work on other legislatures and examining the expenses systems operating closest to home, in the Scottish Parliament and the National Assembly for Wales.

51. The NAO identified two broad categories of expenses systems. One model, similar to that at Westminster and operating in the devolved legislatures and Australia, Canada and New Zealand, relies on detailed rules governing permitted expenditure; within those rules, individuals can operate with a high degree of independence. The second model, in operation in Norway, Sweden, the United States and the European Parliament, has less detailed rules and involves greater use of allowances or block grants, sometimes with no requirement to provide receipts; responsibility for some types of expenditure, including accommodation in some cases, is held centrally. **The NAO found that IPSA was “unique in being the only independent regulator which also has responsibility for processing**

73 IPSA, *The MPs’ expenses scheme* (March 2010), HC 501 (2009–10), para 6.3.

74 Para 46 above.

75 IPSA, *Frequently asked questions* (25 March 2011), p 19.

76 *Ibid.*

77 Ev 124, para 7.

and validating claims. Even when a scheme's rules are now determined independently, as is the case in Northern Ireland and Wales, their administration remains the responsibility of parliamentary staff".⁷⁸

52. Michael Rush and Philip Giddings observed that in the comparable countries they studied, only France had a tax-free element in MPs' salaries to cover expenses, though it had a range of allowances in addition.⁷⁹ The CSPL cited the example of the Bundestag, which believes that "A lump-sum allowance for all Members based on average expenditure is the fairest and cheapest solution, as a system based on submission of receipts would create a huge increase in administrative expenditure for the Bundestag." The CSPL added that "Not all the precedents [for flat-rate allowances] are entirely favourable", referring to the European Parliament.⁸⁰

53. Looking more widely, the NAO identified several characteristics that were common across legislative, public sector and private sector systems. These were that all systems were rule-based, with controls in place to enforce the rules; required supporting evidence to be submitted with claims; were subject to internal and external audit; made use of payment cards to improve value for money (by reducing processing costs); and applied a time limit to claims.⁸¹ The NAO observed that "expenses schemes in both public and private sector employers make overall cost-effectiveness their key aim, and include within this definition the degree to which they enable staff to do their jobs". It had not identified any public or private sector employer which had an independently administered expenses scheme.⁸²

54. The Scottish Parliament determines by means of a resolution both the body upon which responsibility for the payment of expenses is conferred and the terms of the scheme. The body to which responsibility has been granted is the Scottish Parliament Corporate Body (SPCB), and the day-to-day administration of expenses is carried out by the Allowances Office in the Scottish Parliament Service. MSPs can make appeals to the SPCB. Details of each claim are published, and disclosure of receipts may be requested.⁸³

55. In the National Assembly for Wales, since the 2011 Assembly elections, all aspects of financial support for Assembly Members have been set by the Wales Remuneration Board, which is independent of the Assembly. The Board's remit is to "make decisions on all aspects of financial support for Assembly Members; take account of changing responsibilities in the work of Assembly Members; review the effectiveness and impact of the uprating process; and deal with any 'ad hoc' issues". Previously salaries and allowances were set by the Assembly Commission. The scheme is administered by Assembly staff. Any dispute about an entitlement to a payment may be referred to the Chief Executive and Clerk of the Assembly, and ultimately to the Remuneration Board.⁸⁴

78 NAO, paras 4.4–4.5.

79 Ev 124, para 8.

80 CSPL, paras 5.30–5.31.

81 NAO, p 40.

82 NAO, paras 4.7–4.8.

83 See 'Members Expenses Scheme' on the Scottish Parliament website.

84 National Assembly for Wales Remuneration Board, *Determination on Members' pay and allowances (No 2)* (July 2011).

Part 3. Aims of the 2009 Act

56. In this part of our report we consider the aims which were intended to underlie the independent scheme, the extent to which they have been achieved in practice, and whether there are alternative ways in which they could be achieved. These aims were usually stated in fairly general terms in the debates leading up to the establishment of IPSA, and were largely absent from the 2009 Act, though some of them were stated firmly in the amending legislation of 2010.

57. The overall aim, stated by numerous speakers in the debates, was to establish an independent and transparent system which would contribute to a restoration of public confidence in the expenses system, MPs and the House. Harriet Harman summed up the various considerations as follows:

Those principles are that the system should be simple and transparent; that it should reduce the cost to the taxpayer; that second-home arrangements should be consistent as between the allowance system and the tax system; that the system should sustain the all-important constituency link; that it should sustain our ability to work effectively on behalf of our constituents and communicate with them; that it should support the inclusion, as Members of this House, of those with family responsibilities and those with disabilities; that it should allow us to decide for ourselves how we do our work and not put us in a straitjacket; that it should protect the ability of those on low incomes to come into the House; and that it should command public confidence.⁸⁵

58. The CSPL set out a series of principles, which were subsequently adopted (with additions) by IPSA. They included transparency, independent audit and assurance.⁸⁶ In the following sections we consider in turn the various aims, which are largely those referred to in the House's instruction to us.

7. Independence and accountability

Intentions

59. Independence instead of self-regulation was the fundamental feature of the new system. Primarily, that meant independence from the House. For example, in evidence to the CSPL, Harriet Harman argued that

“Independence is very important indeed because otherwise a perception can grow, even if the perception is not well founded, ... that we are fixing our own allowances and then administering them and then leaning on those who administer them.... MPs themselves do not want to feel that they are under that cloud of suspicion, that somehow we have fixed the rules, we have framed them in our own interests.”⁸⁷

85 HC Deb, 23 June 2009, c 679.

86 CSPL, para 3.3; IPSA, *The MPs' Expenses Scheme* (March 2010), pp 50–1.

87 CSPL, *Review of MPs' Expenses and Allowances*, transcript of 16 June 2009, para 141.

Jack Straw stressed that the establishment of an independent body would ensure that “never again will staff in the Fees Office feel under the kind of pressure that they evidently have done ... to bend or manipulate the rules.”⁸⁸

60. Jack Straw added that the process of devising and administering the system should be independent of Government too.⁸⁹ Alan Duncan argued that the “origin of the problem” lay in the interference of Government in the determination of MPs’ pay: “For more than 30 years we have worked under a system of remuneration that would never have stood up to scrutiny in the commercial world, and while political cowardice at the top maintained the headline rate of pay at an artificially low level, political deceit ... has invented an allowance scheme that was less than acceptable, lacked any transparency and was corrosive to public trust.”⁹⁰

61. The CSPL described the proposed establishment of an independent body as crucial: “It will mean that future decisions about the structure and level of expenses payments will not be taken by people with an interest in the outcome. It should ensure that the administration and policing of the system are conducted by independent people free of any suspicion of improper pressure; and it should protect MPs from future governments who might see advantage in depressing entitlements unreasonably for reasons of political popularity.”⁹¹ It noted that “the overwhelming view” among those who submitted evidence was that both the structure of the scheme and its administration should be transferred from Parliament to an independent body, though in its “principles for the new scheme” it is just the details of the scheme and audit and assurance which must be independent.⁹²

62. The Chair of IPSA told us that “Independence is absolutely critical, so that we can make tough decisions that may not endear us to the outside world, as well as to make tough decisions that may not endear us, from time to time, with yourselves”.⁹³

63. Little was said in the debates about the accountability of IPSA, though in June 2009 David Cameron questioned to whom the new body would be accountable.⁹⁴ According to the Chair of IPSA, IPSA is accountable to the Speaker’s Committee on IPSA, to the NAO (which audits its accounts), to other bodies engaged in scrutiny of it and “ultimately, we are accountable to the public at large”; rendering an account to the public is done “by publishing what we do, by consulting, by a variety of ways of transparency in publishing our claims and so on”.⁹⁵ However, the public have no mechanism for making IPSA accountable. In the last resort, both Houses could agree an address to the Queen praying that she remove from office the Chair and members of IPSA.⁹⁶

88 HC Deb, 29 June 2009, c 52.

89 *Ibid.*

90 *Ibid.*, cc 58, 62.

91 CSPL, para 8. See also Ev 95, para 2.

92 CSPL, paras 13.2, 15.

93 Q 37.

94 HC Deb, 10 June 2009, c 799.

95 QQ 34–5.

96 2009 Act, Schedule 1, para 5 (3) and (4).

Practice

64. IPSA's independence can be defined as being unconstrained in making decisions on the matters committed to it subject to complying with the conditions imposed by the Act, such as acting in a way that is efficient, cost-effective and transparent.

65. Schedule 1 to the 2009 Act provides for the membership, funding and administration of IPSA. Its Chair and members are selected by the Speaker on the basis of fair and open competition, the Speaker's Committee on IPSA (SCIPSA) agrees the candidates proposed by the Speaker, and those nominees are then approved by the House of Commons and appointed by the Queen.⁹⁷ Jack Straw compared the provisions for selection and appointment with those applied for the appointment of high-quality and independent-minded members of the Electoral Commission. He added that the fact that members of IPSA could be dismissed only in response to an address from both Houses of Parliament was a guarantee of independence equivalent to that accorded to "senior members of the judiciary".⁹⁸ The Chair and other members of IPSA may hold office for a fixed term of up to five years, and may be re-appointed for a further period not exceeding three years.⁹⁹

66. IPSA is funded by its own Estimate, voted by Parliament. In accordance with the 2009 Act IPSA submits its draft Estimate to SCIPSA, which must satisfy itself that the Estimate is consistent with the "efficient and cost-effective discharge by the IPSA of its functions". SCIPSA must consult the Treasury before it makes any modifications to the Estimate.¹⁰⁰

67. The 2009 Act provided for a system of investigations of standards issues, but this was criticised by the CSPL, which proposed instead a Compliance Officer operating within IPSA and "tasked with policing the expenses system, advising MPs on claims and promoting best practice".¹⁰¹ The 2010 Act duly provided that IPSA was to have a Compliance Officer, who would not only investigate complaints against MPs but also complaints by MPs against rejections of claims by IPSA. In practice there have been few investigations of any kind.¹⁰² We consider later the role of the Compliance Officer.¹⁰³

68. The CSPL in 2009 had concerns about the appointment and funding of the new body. As regards appointments, it pointed to the "obvious public perception issues in an independent body being appointed by those it is supposed to be regulating", but it accepted the difficulty of devising an alternative method which respected parliamentary sovereignty and was reassured by the arrangements proposed.¹⁰⁴ As for funding, the CSPL pointed out that "The independence of an organisation can be undermined by limiting its funding", and referred to "the highly unusual position of being dependent for its funding on the very organisation whose financial affairs it is charged with regulating". However, it could see no

97 2009 Act, Schedule 1, para 2.

98 HC Deb, 29 June 2009, cc 49–50.

99 2009 Act, Schedule 1, para 4.

100 *Ibid*, para 22.

101 CSPL, para 13.38.

102 CSPL, paras 13.15–13.26, 13.38 and Recommendation 44.

103 Paras 153–8 below.

104 CSPL, paras 13.49–52.

alternative, and contented itself with recommending that SCIPSA have three external members (as is now the case).¹⁰⁵

69. The Chair of IPSA, Sir Ian Kennedy, referred to IPSA's independence as "fragile" because of SCIPSA's control of its budget (despite the three external members).¹⁰⁶ He has emphasised that judgments about where the public interest lies are for IPSA alone to make, and that SCIPSA's only role "is to comment on IPSA's cost-effectiveness, not to stipulate what we should be cost-effective about."¹⁰⁷ However, he has not suggested, and it is evidently not the case, that SCIPSA has in practice exceeded its proper role.

Alternatives

70. The different elements of IPSA's role on costs and expenses can be summed up as follows:

- deciding in what areas MPs' costs will be reimbursed;
- deciding any maximum level for such reimbursements;
- receiving and processing claims and making payments; and
- carrying out audit and assurance and, when necessary, investigations.

Independence from the House and MPs for the first, second and fourth of these appears among the CSPL's "fundamental principles".¹⁰⁸ Independence for the third does not, and such independence is not paralleled elsewhere.

71. According to the NAO:

"IPSA is unique [among legislatures] in being the only independent regulator which also has responsibility for processing and validating claims. Even when a scheme's rules are now determined independently, as is the case in Northern Ireland and Wales, their administration remains the responsibility of parliamentary staff. This unique feature of the new Scheme may partially explain why relations between MPs and IPSA have been more difficult."¹⁰⁹

The NAO added that IPSA "needs to consider how it can improve relations with MPs and reassure them that it is as committed to enabling their work as it would be if it were an in-house expenses administrator, without compromising its independent status".¹¹⁰ We note that much of MPs' criticism has related to the administration of the new scheme rather than the scheme itself.

¹⁰⁵ CSPL, paras 13.57–13.59.

¹⁰⁶ Q 1.

¹⁰⁷ Paper by Sir Ian Kennedy, 20 September 2011.

¹⁰⁸ CSPL, para 3.3.

¹⁰⁹ NAO, para 4.5.

¹¹⁰ NAO, para 4.9.

72. Luke March, a former IPSA Compliance Officer, argued that the administrative work, which was a fairly straightforward payroll and expenses system, could be separate from the independent regulator, and could be done anywhere; “it could happen in the House, as long as there was an independent regulator who regulated the service provision part”.¹¹¹ In contrast, Peter Riddell believed that IPSA should be essentially a payments agency rather than a disciplinary one, and that it should refer any abuses to the Parliamentary Commissioner and the Standards and Privileges Committee.¹¹²

73. IPSA’s dual role as administrator and regulator is a longstanding concern. The 2009 Act required that “So far as possible the IPSA’s administration functions and its regulation functions must be carried out separately”.¹¹³ During the passage of the 2010 Act, Sir George Young, then Shadow Leader of the House, suggested that establishment of an IPSA compliance officer would weaken the separation between the new body’s investigatory or regulatory functions and its administration function; “As the bill is drafted the compliance officer will ... be asked to pass judgment on either the rules or the people within the organisation by which he is employed.”¹¹⁴ The Chair of IPSA has rejected the idea that there is tension between its roles as a regulator and a provider of services.¹¹⁵

74. Barry Winetrobe went further than our other witnesses in arguing for “a system of modern parliamentary self-regulation”, buttressed by an independent element to ensure that it was being operated transparently and responsibly and was not being abused; this could provide a system that was “fully accountable and meets the criterion of the three Es of efficiency, effectiveness and economy”.¹¹⁶ The CSPL noted in 2009 that both the Scottish Parliament and the National Assembly for Wales had felt able to retain self-regulation by adding safeguards, but noted that “the difference is that neither ... has suffered a crisis of trust remotely comparable to that which has affected Westminster.”¹¹⁷

8. Value for money

Intentions

75. In 2009 it was widely expected that the establishment of an independent body would increase value for money and reduce expenditure by eliminating abuses. The Prime Minister stated on 10 June 2009 that the new body would have a mandate to “scrutinise efficiency and value for money in Parliament’s expenditure, and ensure ... that Parliament costs less”.¹¹⁸ David Cameron listed among his guiding principles for reform that the new system “should cut the cost of politics”.¹¹⁹ The CSPL stated that its recommendations

111 Q 327.

112 Q 101.

113 Parliamentary Standards Act 2009, Chapter 13 (hereafter: 2009 Act), Schedule 1, para 17 (2).

114 HC Deb, 1 Feb 2010, c 60.

115 Paper by Sir Ian Kennedy, 20 September 2011.

116 Ev 112–13, paras 13, 15.

117 CSPL, para 13.11.

118 HC Deb, 10 June 2009, c 796.

119 Speech of 8 September 2009, at www.conservatives.com/News/Speeches/2009/09/David_Cameron_Cutting_the_Cost_of_Politics.aspx

would reduce the cost to the taxpayer of supporting MPs, with significant savings in particular from reduced accommodation costs, a reduced London Supplement, abolition of the communications allowance and tighter criteria for resettlement grant, though it warned against “a simple cost-cutting exercise”.¹²⁰ Before the CSPL had reported, the party leaders committed themselves to accepting its conclusions provided that certain tests were met, including reduced cost.¹²¹

76. Of course, reduced cost is not necessarily the same as value for money, which the Comptroller and Auditor General defines as “the optimal use of resource to achieve the objectives”.¹²² One of the CSPL’s principles for the new scheme (since incorporated into IPSA’s own list of principles) was that “The scheme should provide value for the taxpayer. Value for money should not necessarily be judged by reference to financial costs alone.”¹²³ The 2009 Act stated that “The IPSA must aim to do things efficiently and cost-effectively”,¹²⁴ and the 2010 Act provided that “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.”¹²⁵ SCIPSA is charged with deciding whether IPSA’s proposed Estimate “is consistent with the efficient and cost-effective discharge by the IPSA of its functions.”¹²⁶

77. IPSA told us that “Value for money is concerned with achieving that which the taxpayer most values, through the best use of the public money available. Progress has been made on the key outcome for IPSA—restoration of public trust through the prevention of abuse and the proper control of public funds.” It believed that that had been achieved cost-effectively.¹²⁷ The Chair of IPSA stated that defining value for money was complex because it depended on who was doing the valuing. He noted that indications of IPSA’s value for money included cost savings since it began operating, increased public confidence, absence of systematic abuse, and accuracy in payment of claims. He did not regard the total value of claims either as a possible indication of value for money or as being within IPSA’s control, because any claim which was within the rules had to be accepted.¹²⁸ He accepted that one part of value for money is ensuring that MPs are able to pursue their parliamentary functions.¹²⁹

78. We agree that value for money is not a matter of financial costs alone, and also that improvement in public confidence and enabling MPs to do their jobs effectively (both of which we discuss later) can be aspects of value for money. However, in this section we concentrate on efficiency and cost-effectiveness, taking account both of IPSA’s own costs and the costs which its scheme imposes on MPs. We do not seek to make direct comparisons with the cost of the old system, because some costs of the old system such as

120 CSPL, paras 29, 15.1–15.8. See also Ev 95, para 9.

121 HC Deb, 19 May 2009, C 1421.

122 PAC, Q 3.

123 CSPL, para 15; IPSA, *The MPs’ Expenses Scheme* (March 2010), p 50.

124 2009 Act, Schedule 1, para 10.

125 2010 Act, s.28 (2).

126 2009 Act, Schedule 1, para 22 (3).

127 Ev 76, para 42.

128 QQ 17–18.

129 PAC, Q 1.

accommodation and management time cannot easily be identified,¹³⁰ and because the new system necessarily increases costs by placing more emphasis on evidence and checking.

Practice

79. IPSA's planned administrative costs in 2011/12, divided according to function, are as follows:

Function	Sub-head	£000s (sub-heads)	£000s (functions)	% (functions)
Independence			669	12
Regulation	Compliance	295		
"	Other	1,378	1,673	31
Operations	Claims processing & validation	1,376		
"	Assurance & review	296		
"	Email & telephone teams	414	2,086	38
Corporate services	Payroll	375		
"	Other	652	1,027	19
Total (exc non-cash costs)			5,456	100
Non-cash costs			835	—

Source: IPSA, Briefing note: costs (4 May 2011).

Note: Independence covers the cost of the IPSA Board, CEO, Board secretariat and communications. Corporate services covers Director of HR and financial management, IT, finance and payroll. £835,000 of non-cash costs have not been attributed to functions. Figures may not add up due to rounding.

80. IPSA's operating costs in 2010/11 were £6.4 million. Between May 2010 and March 2011 IPSA paid out £43 million in salaries for MPs, £56 million in salaries for MPs' staff and £19.5 million for other expenses.¹³¹ Of IPSA's administrative costs, those relating to operations are the most likely to change if the payments system changes. Major influences are the volume of claims and the complexity of the scheme, the latter affecting the amount of checking and review required and the number of enquiries received.¹³² IPSA has made a commitment to SCIPSA that it will reduce its overall costs by 5% a year.¹³³

81. The NAO reached the following conclusions:

- IPSA has reduced its costs considerably, with the cost per item claimed falling from around £40 in August 2010 to around £16 in May 2011, partly through reduced checking once it became clear that rejection rates were low. Nevertheless, 38% of claims are for less than the average processing cost.
- IPSA's direct staff costs for the claims process are very close to the average for other UK national legislatures, which the NAO regards as impressive for the first year of

130 Q 26; Ev 86.

131 NAO, para 3.

132 IPSA, 'Briefing note: costs' (4 May 2011), para 5c.

133 PAC, Q 12.

operation, although it notes that IPSA is dealing with a much higher number of claims and should therefore be able to be the most efficient in future.¹³⁴

IPSA notes that the overall cost per claim includes a share of the regulatory functions and other overheads, and that the direct costs per claim were £6.59, which was higher than just 21% of claims,¹³⁵ though it does not seem reasonable to us to leave out the £2.16 of “Directly attributable overhead costs”,¹³⁶ which brings the figure up to £8.75.

82. The NAO also sought to value the costs imposed on MPs: “Based on what MPs tell us, we estimate that the cost of their and their staff’s time in dealing with expenses under the new scheme is in the region of £2.4 million per year, or around £13 per claimed item on average.” It believes that “The scheme as a whole will offer better value for money if IPSA accelerates the streamlining of its own procedures and gives greater priority to minimising the costs necessarily falling on MPs.”¹³⁷ We return later to the costs imposed on MPs.

83. The NAO made two other recommendations:

- Given the low rate of rejections, the absence of systematic abuse and the existence of other safeguards such as publication of claims, IPSA can move more quickly to a risk-based approach, as opposed to validating every claim at least once.¹³⁸ (We note IPSA’s observation that in its case, unlike in companies and other organisations, there is not a manager between the claimant and the person checking and approving the claim.)¹³⁹
- IPSA should consider the contribution which centralised procurement contracts could make towards running a cost-effective scheme.¹⁴⁰

84. The latter proposal, which could cover direct provision as well as central contracts for MPs to opt into, raises interesting issues. On the one hand, there are potential savings to the taxpayer and there are potential benefits to MPs from having the procurement and provision done for them (which is what would happen in the case of office costs in many other occupations). On the other hand, there is a risk of central purchasing or provision not meeting the diverse needs of Members, or the cheapest option being favoured over the most effective. One relatively straightforward area would be agreed rates with hotels in the Westminster area. Another area could have been insurance against the risk of employment disputes. IPSA argued that such collective insurance would involve intervention in MPs’ employment practices, but the Parliamentary Resources Unit has succeeded in securing collective insurance for MPs to opt into, with significant savings and without the intervention in employment practices referred to by IPSA. It is clear that central provision or contracting is potentially an important area, not least for securing savings, but it will need to be handled with care.

134 NAO, paras 14, 2.20.

135 Ev 76–7, para 45.

136 NAO, p 34.

137 NAO, paras 18, 23.

138 NAO, paras 15, 2.16. See also PAC, para 8; Q 255.

139 Q 255.

140 NAO, paras 25b, 4.9b.

9. Transparency

Intentions

85. It was largely taken for granted during the debates on the creation of IPSA that the new scheme and its operation needed to be transparent, so that MPs were accountable for their use of public money. Given the impact of the Freedom of Information Act on the old system, it could hardly have been otherwise. The then Prime Minister noted that transparency had had a vital role in “sweeping away the decrepit system of allowances and holding power to account”.¹⁴¹ Harriet Harman said that “An allowance system which is only understood by Members of Parliament and by the Fees Office, that is Byzantine in its complexity, will simply arouse suspicion, and therefore it needs to be simple. ... People are just not inclined to believe something is fair and reasonable if they cannot actually see it, so transparency is important”.¹⁴² David Heath also stressed the importance of transparency, combined with rigorous audit, so that the public, the media and constituents could see what an MP considered necessary for their parliamentary duties.¹⁴³

86. The 2010 Act required IPSA to act in a way that was transparent.¹⁴⁴ One of the CSPL’s principles, adopted by IPSA, is that the expenses scheme “should be open and transparent, and should be subject to independent audit and assurance”.¹⁴⁵ IPSA lists the main benefits of transparency as allowing the public to judge for themselves whether public funds are being spent appropriately, acting as a deterrent to making inappropriate claims (if unsuccessful claims are published) and building public confidence by showing that the costs incurred by MPs arise legitimately from their parliamentary functions.¹⁴⁶

87. Transparency obviously means that the scheme itself should be clear and that it should be clear what payments have been made to each MP and for what, and that the expenditure was necessary for his or her parliamentary duties. However, there are a number of choices to be made:

- Exactly what should be published?
- Should the published material include receipts?
- Should the published material include unsuccessful claims?
- How frequently should the information be published?
- In what form should the information be published? In particular, how much explanation should be given, and should steps be taken to facilitate meaningful comparisons?

141 HC Deb, 10 June 2009, c 797.

142 CSPL transcript, para 122.

143 CSPL transcript, para 414.

144 2010 Act, s.28 (2).

145 CSPL, para 15; IPSA Scheme, p 35.

146 Ev 74, para 25.

88. We regard it as an important principle that transparency has a purpose—that of enabling the public both to see and understand what is taking place. It is not good enough simply to deluge the public with information: information should be presented in a way which promotes public understanding, and yet without spin or glossing. Disclosure in a misleading or unhelpful way, without context or explanation, can be harmful both to individual MPs and to public confidence more broadly, though it is of course possible for even well-presented information to be misused.

89. We emphasise at this point that it is hard to exaggerate the importance of reputation to MPs. Reputation is a matter of political survival rather than just self-respect. This may seem surprising in view of what happened in 2009, but the revelations of 2009 were the disastrous result of a system lacking transparency. Now that a transparent system is in place, that transparency does most of the work of ensuring that MPs' claims are within the rules and principles of the scheme. The important point here is that if the way the information is published allows misrepresentation, not only will the reputation of MPs and the House be damaged but MPs will be deterred from claiming for items they ought to be claiming for and MPs with independent means will be advantaged over those without. It is also important to note that the reputations of individual MPs cumulatively affect the reputation of Parliament.

Practice

90. IPSA publishes information about each claim but not receipts. If it received an FoI request for a receipt, it would disclose information from the receipt which was not already on the website (unless it was exempt from disclosure), but would not release the document itself, as the Act provides for the disclosure of information rather than documents.¹⁴⁷ It estimates that publication of receipts as a matter of course, with the necessary redaction, would cost £750,000, and the Information Commissioner has advised that such publication is not a necessary aspect of assurance.¹⁴⁸ However, it should be noted that it was only the publication of receipts which exposed evidence of wrongdoing in the 2009 scandal.

91. IPSA publishes unsuccessful claims, though these are a tiny proportion of the total.¹⁴⁹ Most such claims are mistakes rather than attempts to abuse the system,¹⁵⁰ and some have been claims which IPSA subsequently paid. According to IPSA, in the most recent publication, “the overwhelming majority of claims we ended up not paying were for late payment fees on telephone bills and so on”.¹⁵¹ IPSA's Chief Executive told us that MPs are given the opportunity to avoid formally lodging a claim if, for example, appropriate evidence has not been supplied.¹⁵² Given the tendency of local and other media to seize on

147 Information from IPSA.

148 Q16. See also Ev 75, para 30.

149 Para 38 above.

150 PAC, Q 48.

151 PAC, Q 48. See also PAC, Q 51.

152 Q 268.

examples of rejected claims, MPs are sometimes deterred from submitting valid claims when they are uncertain whether the claim is within the rules, as we discuss later.¹⁵³

92. The CSPL in 2009 recommended that rejected claims be published, and continues to believe that it was right to publish them at first. However, it now believes that that requirement could be reviewed in the light of experience. The CSPL's Chair believed that publication of rejected claims could cease if, as in Scotland, "there was no particularly interesting further evidence to be gained from publishing rejected claims" and the change would not damage public confidence; it was an empirical matter rather than a matter of principle.¹⁵⁴

93. IPSA publishes expenses every two months. It regards this as a balance between frequent or real-time publication, which would be more expensive, and less frequent publication, which it believes would be more of a media event; it considered this "a judgment call".¹⁵⁵ IPSA estimates that monthly publication would cost 9.7% more, whereas publishing more frequently would make only a small difference (2.5% less for quarterly and 5.7% less for six-monthly).¹⁵⁶ Bi-monthly publication encourages bogus comparisons which take no account of the fact that the data is determined by the timing of claims rather than actual expenditure, and for that reason several of our witnesses criticised it as "meaningless" or "mad",¹⁵⁷ though similar problems would apply with any publication which was more frequent than annual.

94. The reason why this matters is the way that regional and local media cover expenses information. In an analysis conducted by the Chair of this Committee of local and regional newspaper coverage of the expenses information published by IPSA on 3 February 2011, 63% of reports made meaningless comparisons between local MPs based on bi-monthly data.¹⁵⁸ Many stories relate to minor claims allowed by IPSA, such as travel claims, which are taken out of context. The result is that the particular form of transparency adopted by IPSA damages the reputation of MPs and of the House as a whole, and MPs have to spend a disproportionate amount of time rebutting criticisms. IPSA believed such coverage would gradually diminish as public confidence in the expenses system increased,¹⁵⁹ but our view is that the regional and local media are unlikely ever to lose their appetite for easy stories based on league tables or individual claims taken out of context, which generally contribute nothing to public understanding. Also, we do not believe IPSA has grasped the importance of reputation to MPs. As we have no intention of reducing the transparency of the payments system, the question for us is whether such stories are an unavoidable by-product of transparency or whether there are ways of making them less likely while improving transparency.

153 Paras 127–30, 152, 193.

154 Ev 96, para 13; QQ 180–1.

155 Q 270.

156 Information from IPSA.

157 QQ 243, 109.

158 Based on Factiva and Google searches of regional and local newspapers for "IPSA", 3–22 February 2011, plus responses to an email to MPs requesting expenses coverage from regional and local newspapers.

159 QQ 15, 272.

95. Such ways could include the following:

- Provision of commentary by IPSA. IPSA’s Chair told us that “We have always tried to avoid commenting, editorialising, on the facts”, but he accepted that IPSA had a duty in relation to public confidence and undertook to consider the matter further.¹⁶⁰ The Committee of Public Accounts has recommended that “IPSA should draw a distinction between salaries and expenses in its public communications and make clear that all expenses claims paid are within the rules, and that rejected claims, unless otherwise stated, are the result of administrative errors rather than deliberate misbehaviour”.¹⁶¹ Other possibilities are emphasising that bi-monthly figures are determined largely by the timing of claims and explaining why costs such as travel vary from one constituency to another.
- Aggregation of small items. At present each individual claim is published, however small—the classic example being toilet rolls for constituency offices. The Chair of IPSA noted the possibility of aggregating small items to some extent rather than itemising them.¹⁶²
- Publication of information about different categories of payment at different times, to reduce the likelihood of bogus league tables. An obvious one to publish at a different time would be staff salaries, but the principle could be taken further.

96. One other aspect of transparency is the names of MPs being investigated or considered for investigation. IPSA’s interim Compliance Officer has published the names of those under investigation when he has concluded an investigation.¹⁶³ That differs from the practice of the Parliamentary Commissioner for Standards, which is designed to minimise speculation about possible investigations.

10. Public confidence

Intentions and background

97. Restoring public confidence in MPs and Parliament was the fundamental purpose of the 2009 Act and the establishment of IPSA. It was so basic that it did not need to be explicitly referred to in the legislation. According to the Chair of IPSA, “We see the public interest as being to assist in the restoration of confidence and, commensurate with that, to enable MPs to go about their business.”¹⁶⁴ IPSA’s definition of public confidence is “confidence amongst the population at large ... that IPSA by means of (a) clear, published rules on MPs’ expenses, (b) IPSA’s rigorous governance and processes and (c) transparency around IPSA’s work and MPs’ expense claims, is dispersing public funds efficiently and effectively to support MPs in carrying out their parliamentary functions.”¹⁶⁵

¹⁶⁰ Q 42. See also Q 271.

¹⁶¹ PAC, Conclusions and Recommendations, para 2.

¹⁶² Q 14.

¹⁶³ See QQ 124, 148.

¹⁶⁴ Q 1.

¹⁶⁵ HC Deb, 13 July 2011, c 395w.

98. Peter Riddell pointed out that trust in politicians did not collapse as a result of the revelations about expenses, but that was because it was already at a low level. In the Hansard Society Audit, the proportion of respondents trusting politicians “a great deal” or a “fair amount” was 26% in 2010, down only from 27% in 2004. He added that there never was a golden age when politicians were respected and trusted, though there was a period in the 1940s and 1950s, which he considers may have been an aberration from the norm, when trust in government was higher than it is now.¹⁶⁶

99. What really changed as a result of the expenses scandal, he suggested, was public satisfaction with how Parliament works, which declined from 36% in 2004 to just 27% in 2010. For the first time, more people disagreed than agreed with the statement that Parliament is working for “you and me” (39% as against 30%). In the CSPL’s survey, there was a sharp decline between 2008 and 2010 in the proportion believing MPs are doing a good job for the public, from 46% to 26%. A much higher proportion of the public is satisfied with how their own MP does his or her job than with how MPs in general do so (44% as against 16%).¹⁶⁷

100. Obviously public confidence in MPs and Parliament is influenced by many factors others than expenses, partly reflecting the fact that people often fail to distinguish between Parliament and Government. Here we are mainly concerned with public confidence in the payments system, and the impact of that on public confidence in MPs and Parliament more generally. Factors capable of contributing to confidence are likely to include the independence of the scheme from those benefiting from it, whether the items which can be claimed are clearly necessary for MPs’ parliamentary duties, the transparency of the scheme, how well the rules are enforced and the absence of scandals. However, as already discussed, transparency can also work against public confidence if information is presented in a way which encourages misrepresentation by the media.¹⁶⁸

Outcome

101. The result of an opinion poll question commissioned by the NAO in May 2011 was that 55% believed the situation regarding MPs’ expenses had improved over the previous year, while only 14% believed it had deteriorated. The NAO concluded that “Although other factors such as high-profile prosecutions [of former MPs] will have played their part, we believe that IPSA has significantly contributed to this improvement, which has been achieved in an impressively short period”.¹⁶⁹ The NAO also observed that “IPSA has demonstrated convincingly that there is no systematic abuse of the new scheme by MPs to date, and the level and value of rejected claims are very low.”¹⁷⁰ The Director of the Hansard Society noted that both the imprisonment of several former MPs and the impact of a general election bringing in new MPs may have influenced public views, in addition to the creation of IPSA.¹⁷¹ The Chair of IPSA stated that “The success that we have so far

¹⁶⁶ Ev 88, paras 3–4; Q 86. See also Ev 31–2; Q 170.

¹⁶⁷ Ev 88, paras 5–6.

¹⁶⁸ Paras 93–4 above.

¹⁶⁹ NAO, paras 8, 1.17e. See also Q 257.

¹⁷⁰ NAO, para 10. See also *ibid*, para 2.3.

¹⁷¹ Q 231.

achieved in so short a space of time in helping to restore confidence, despite, even over the last few days, continuing echoes of previous misconduct, is to be celebrated. It should be particularly celebrated by MPs.”¹⁷²

102. The Chair of the CSPL believed that two things were important for confidence: public understanding that the level and detail of MPs’ expenses were determined by an independent body, and the disappearance of stories about the misuse of expenses.¹⁷³ The latter is yet to be achieved. In a survey of November 2010, cited by IPSA, 59% of the public agreed that “The new independent regulator for MPs’ expenses will make sure MPs are only paid legitimate expenses”, with only 13% disagreeing, and 63% agreed that “The money it costs to monitor MPs’ expenses claims is worth spending”, with only 11% disagreeing.¹⁷⁴

Possibilities

103. Matthew Parris’s view was that “the public and the media are not going to like anything that MPs decide with respect to their expenses, so you should really concentrate on getting a system that you think is right for you and let the media take care of itself”.¹⁷⁵ Peter Riddell’s more cautious view was that the public did not particularly care about the detail of the system, but that there would be real problems in moving away from an independent system, given how recent the events of 2009 were, and that the other big issue for the public would be any move away from receipted expenses to allowances; “The rest of it is detail”.¹⁷⁶ He believed that the important thing as regarded confidence in Parliament and MPs was for them to demonstrate their effectiveness, for example by showing that they were holding the Government to account and dealing with the matters that people cared about (for example through the work of the Backbench Business Committee); “that is more important than what happens with your expenses, provided there are not any more scandals”.¹⁷⁷ He added that “MPs also need to be a bit more robust about what they do for people.”¹⁷⁸

104. One other point relevant here is that an expenses scheme needs to operate differently in the immediate aftermath of a major scandal than when a new scheme has demonstrably dealt with the former abuses. The Chair of the CSPL noted that when the Scottish Parliament successfully reformed its payments system, not only did public interest in MSPs’ expenses decline, but some aspects of the new scheme when it was introduced were no longer needed.¹⁷⁹ To some extent this is already happening with IPSA’s scheme, with the

172 Q 1. See also Q 257.

173 Q 170.

174 Ev 78–9, para 64.

175 Q 87.

176 Q 87.

177 QQ 86, 107.

178 Q 105.

179 Q 170.

amount of checking being reduced in low-risk areas, and more change in that direction can be expected.¹⁸⁰

11. MPs' ability to fulfil their duties

105. That the new independent body should support MPs in carrying out their parliamentary functions might seem obvious. The CSPL nevertheless considered it important that that aim should not be lost sight of, and as a result the 2010 Act provided that “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”.¹⁸¹ We have discussed above whether supporting MPs in that way should have been made IPSA’s explicit purpose, rather than just a principle it should have regard to.¹⁸² Here we consider what the parliamentary functions of an MP are and what impact IPSA has had on the ability of MPs to carry out those functions.

The parliamentary functions of MPs

106. There is no job description for an MP, and it is a truism that each MP does the job in a different way. A former MP has observed that “It is difficult to think of any other occupation where the nature of the job is so elusive.”¹⁸³ There is also an important, and sometimes hazy, distinction between what is a parliamentary activity and what is a party-political activity. Yet definitions of some sort are essential: without knowing what MPs are for, it is hard to see why the taxpayer should be expected to support their work, and, more relevant here, hard to know what costs IPSA should be reimbursing.

107. The list of activities most often referred to is that compiled in 2007 by the Select Committee on Modernisation of the House of Commons, which believed it was “possible to discern a number of commonly recognised tasks”, as follows:

- Supporting their party in votes in Parliament (furnishing and maintaining the Government and Opposition);
- Representing and furthering the interests of their constituency;
- Representing individual constituents and taking up their problems and grievances;
- Scrutinising and holding the Government to account and monitoring, stimulating and challenging the Executive;
- Initiating, reviewing and amending legislation; and

¹⁸⁰ NAO, pp 31–2.

¹⁸¹ CSPL, para 13.14; 2010 Act, s.28 (2).

¹⁸² Paras 8–13 above.

¹⁸³ Tony Wright, ‘What are MPs for?’, *Political Quarterly*, vol 81 (2010), p 299a.

- Contributing to the development of policy whether in the Chamber, Committees or party structures and promoting public understanding of party policies.”¹⁸⁴

All of these appear to be parliamentary rather than party-political functions except, in part, the last of them.

108. This list has been criticised by a former MP, Tony Wright, as “altogether too high-minded and unpolitical. For example, absent altogether from the list is an activity that could be called ‘campaigning to get re-elected’, yet this drives almost everything that MPs do.”¹⁸⁵ However, the fact that the list does not capture motivation does not remove its usefulness as a list of activities. We also note that the list cannot reflect the balance of these activities within an MP’s work, which is different for each MP, reflecting, among other things, personal preference, nature of constituency and posts held. Indeed that balance is itself controversial, and James Gray has suggested that the increase in constituency casework has diverted MPs away from their true role as parliamentarians. He adds that “If Parliament is to do its job properly, sitting hours will be longer and less convenient, which makes it imperative that MPs should be able to stay Monday–Friday close to Parliament. It should also be possible for them to be accompanied by their families both in London and the constituency at weekends.”¹⁸⁶

109. The distinction between parliamentary and party-political activities sometimes caused difficulties under the old system, for example over websites, and continues to be a difficult one to draw. We note the view of our predecessors on the Committee on Members’ Allowances that “it is possible to establish a working definition of parliamentary activities, as set out [in] the Green Book”, and that “in some areas the two roles are too closely related for it to be worthwhile seeking to disentangle them entirely”.¹⁸⁷

Impact of IPSA’s scheme on MPs

110. The impact on MPs’ ability to fulfil their duties has two main aspects: whether the scheme provides what MPs need to do their work, including whether it has sufficient flexibility to accommodate different ways of working, and how much time is taken up by the process of claiming. We consider the former later in this report,¹⁸⁸ but the criticisms by MPs of IPSA’s scheme have related overwhelmingly to the operation of the scheme, especially the time taken up by making claims, and we regard this as the main impact of the scheme on MPs’ ability to fulfil their duties. We accept that anyone receiving public money has a duty to account for it, but the time required should be proportionate. We concentrate here on how much time is taken up, leaving until later the question of why so much time is taken up.

111. The NAO has sought to quantify the impact of IPSA’s scheme on MPs’ time and to cost that impact. It noted that IPSA’s data shows that each MP and his or her staff spend

¹⁸⁴ First Report of the Select Committee on Modernisation of the House of Commons, 2006–07, *Revitalising the Chamber: the role of the back bench Member*, HC 337, para 10.

¹⁸⁵ Wright, ‘What are MPs for?’, p 299b.

¹⁸⁶ Paper by James Gray MP.

¹⁸⁷ MAC, para 26.

¹⁸⁸ Para 166 below.

four hours a month logged onto the expenses system, or about 13 minutes per claim line, whereas in the NAO's own survey MPs said they spent four hours a month dealing with claims (calculated by IPSA as 51 minutes per claim) and their staff a further 12 hours. It believed that further research would be needed to understand the differences between the figures, but that many aspects of dealing with expenses did not involve being online, including "deciding which items to buy and paying for them, time spent dealing with queried claims, and the printing, photocopying and posting of associated documentation". On the basis of what MPs had said, it calculated the cost of the time MPs and staff spent dealing with expenses at £2.4 million a year, or £13 per claimed item.¹⁸⁹

112. As IPSA indicated, the NAO has not made a comparison with the old system, and some aspects, such as "deciding which items to buy", would take the same time under both systems.¹⁹⁰ It also argues that the cost, especially that of staff time, is not an additional cost but an opportunity cost, and that it already pays the staff costs.¹⁹¹ This, however, misses the point, because the reason for the taxpayer supporting MPs and their staff is to enable MPs to carry out their parliamentary duties, rather than to spend an unnecessarily long time dealing with claims. In our view the work now involved in making claims, such as reconciling payment card statements and claims, easily accounts for the difference between the 13 minutes and the 51 minutes. IPSA has begun to remedy the situation by improving the online claims system and making greater use of direct payments and the payment card, and we consider this later.¹⁹² However, even in November–December 2011, 85% of the MPs who responded to our survey agreed or strongly agreed that the time taken for MPs and staff to submit claims was such a burden that it hindered them from doing their job. The answers to this question were little changed from those received by the NAO in May/June, when the comparable figure was also 85%.¹⁹³

113. Given the almost unlimited calls on an MP's time and the long hours worked by most (for the new MPs in March 2011, an average of 69 hours a week plus about ten hours travelling time),¹⁹⁴ time spent dealing with IPSA's claims system is taken away from doing other aspects of the job, to the detriment of constituents. The NAO concluded that "IPSA did not have sufficient regard to the impact its Scheme was having on the ability of MPs to fulfil their duties in its first year of operation, nor to the costs falling upon them".¹⁹⁵ The Chair of the CSPL told us that it seemed to his Committee that "at times, that balance [between supporting MPs and securing public confidence] has been struck in the wrong place, that some of the things that were being done looked as if they were making your job more difficult rather than easier", though some of those problems had since been dealt with.¹⁹⁶

189 NAO, paras 2.10–2.11; Ev 79, para 67; QQ 273–5.

190 QQ 277–8; Ev 79, para 69.

191 Ev 79, para 70; PAC, QQ 24–6.

192 Paras 138–9 below.

193 NAO, 'MPs' view on the Independent Parliamentary Standards Authority', No 21.

194 Ev 30.

195 NAO, para 23.

196 Q 165.

114. Dr Ira Madan, the House’s consultant Occupational Physician, told us, on the basis of consultations with 62 MPs since May 2010, that “the frustrations and difficulties that Members are experiencing with IPSA are contributing to poor mental wellbeing”. That was mainly the result of the time taken up dealing with IPSA and the impact on family life of the new rules on partner and family travel and the size of the accommodation funded.¹⁹⁷ She added that the stresses experienced by MPs were unlike those in any other profession.¹⁹⁸

115. Dr Fiona Alexander, a GP, whose surgery has been attended by about 10% of MPs since autumn 2010, told us that she had observed a measurable deterioration in the health of MPs. Consultations have become longer and MPs less well. Flu-like illness and chest infections were common and lasted longer than previously, whereas there was no such change in the general population; there had also been a large increase in gastro-intestinal complaints. She added that “there were indications that stress was a contributing factor”. It was not possible for her to pinpoint the cause, and her observations related to members of both Houses, but she observed that “any factor affecting workload or travelling time will impact directly on stress levels and general health”.¹⁹⁹ Stress can of course occur in any occupation, but any increase in the incidence of stress ought to be taken seriously.

12. Fairness to MPs without independent means and those with families

116. That the payments scheme should be fair as between different MPs is so obvious that it is not specifically mentioned in the legislation. Arguably it is covered by the requirement to have regard to the principle of supporting MPs in carrying out their duties. The fairness referred to in the House’s instruction is as regards less well-off MPs and those with families. IPSA’s fundamental principles include the following: “Arrangements should be flexible enough to take account of the diverse working patterns and demands placed upon individual MPs, and should not unduly deter representation from all sections of society.”²⁰⁰

MPs without independent means

117. We start by emphasising our strong view that there must not be a two-tier House of Commons, with MPs who have independent means able to take on all the demands of the role and others disadvantaged by not being able to do so. We believe that no MP, whether rich or poor, should be required to pay the cost of carrying out his or her parliamentary duties out of taxed salary, or to be substantially out of pocket through having to pay large sums up-front and claim back later. IPSA accepts as “a point of principle that MPs should not have to subsidise their parliamentary functions from their own resources”.²⁰¹ We note the Hansard Society’s finding that, of the MPs first elected in 2010 who responded to its

197 QQ 67, 72; Ev 87–8.

198 Q 81.

199 Ev 89; QQ 115–22.

200 IPSA Scheme, p 35.

201 Ev 85, p 31.

survey, 56% reported taking a pay cut on becoming an MP, and 31% reported taking a pay cut of £30,000 or more.²⁰²

118. The NAO's findings on this were as follows:

- Nine out of ten MPs believe they are having to subsidise their work, at least partly because of not claiming expenses to which they were entitled (as discussed in the next section).
- In 2010/11 MPs who used the scheme spent an average of around 50% of their basic pay after deductions on expenses for which they had to await reimbursement.
- “IPSA did not have sufficient regard to the impact its Scheme was having on the ability of MPs to fulfil their duties in its first year of operation, nor to the costs falling on them.”²⁰³

119. IPSA's response to the second of these points was that if MPs made full use of the facilities it offers now, not including advances, the figure could fall to 13%.²⁰⁴ However, this would still be a burden which other citizens are not expected to bear. It told us that to reduce the problem of cashflow it had taken steps such as advances, interest-free loans and more use of direct payments and the payment card, and would continue to look at possible further steps.²⁰⁵ We consider this later.²⁰⁶

120. A particular problem for new MPs has been the lack of assistance with start-up costs for establishing an office, though some have received contingency funding.²⁰⁷ IPSA responded to this in April 2011 by creating a Start-Up Costs budget of £6,000 for new MPs in the future.

MPs with families

121. The work of an MP inevitably places strains on family life, but it is important that MPs with families are not prevented from living something approaching a normal family life, and that people with families are not discouraged from becoming MPs. As the recent Speaker's Conference on Parliamentary Representation put it, “it is important to create within the job's demands some space for family life”.²⁰⁸ Harriet Harman, then Leader of the House, said in evidence to the CSPL that “We do not want a Parliament that is just exclusively of people who are prepared to set their family life entirely on one side in order to enter Parliament, because then we will have a Parliament that does not understand the centrality of people's families to their lives, does not understand about the daily juggling of

202 Ev 101.

203 NAO, paras 19, 20, 23.

204 NAO, para 20.

205 Ev 77, para 50.

206 Paras 138–9 below.

207 Ev 77, para 51.

208 Final Report of the Speaker's Conference, 2009–10, HC 239, para 250.

bringing up children and going out to work and caring for older relatives, and then public policy will not be right.”²⁰⁹

122. IPSA’s scheme has changed the position for MPs with families by altering the rules on accommodation and travel by family members. As regards the former, the CSPL’s view was that the default position, prior to any adjustments for family circumstances or other needs, should equate to the cost of a one-bedroom flat within reasonable proximity of Westminster (or the equivalent in the constituency). It believed that “any system should be able to incorporate flexibility for those with families, disabilities, or other particular needs”.²¹⁰ IPSA subsequently set the limit for rent in London “at a level which should allow an MP to rent a one bedroom flat in a location within reasonable travelling distance of Westminster”.²¹¹ Additional funding was available only for those with dependent children aged under five (or 21 if the MP was the sole carer) and as a special claim made by the MP.

123. In April 2011 IPSA extended eligibility for additional accommodation funding to MPs with caring responsibilities (but not the sole carer) for dependent children up to 16, or up to 18 if in full-time education.²¹²

124. As regards travel, the CSPL accepted the case for supporting travel by family members, with only minor changes from the existing scheme. IPSA continued similar arrangements for dependent children (30 single journeys per year between London and constituency residence), but restricted this to those under 16 instead of 18. In April 2011 the cut-off point was returned from 16 to 18.²¹³

125. In the case of spouses or partners, formerly allowed 30 single journeys per year between London and constituency or MP’s main home, IPSA at first restricted the 30 journeys to spouses with children under five, in line with the rule on accommodation funding. In April 2011 the provision was extended to spouses or partners with dependent children up to 16, or 18 if in full-time education.²¹⁴

126. In our survey of MPs, 78% agreed or strongly agreed that IPSA’s payments system is adversely affecting MPs’ family lives.

13. Not deterring legitimate claims

127. 91% of MPs who replied to the NAO said that they had not submitted claims for some expenses to which they believed they were entitled; “The common reasons cited for not claiming were that the amount to be claimed was small, the claims process was complex, lack of clear advice about what was claimable, and concern about claims being published”.²¹⁵ Other reasons given in individual comments to the NAO included falling

209 CSPL, para 5.19.

210 CSPL, paras 5.19–5.20.

211 IPSA, *Annual review of the MPs’ expenses scheme: consultation* (January 2011), para 96.

212 IPSA Scheme, para 4.22.

213 CSPL, paras 9.21–9.29 and Recommendation 28; IPSA, *The MPs’ expenses scheme* (March 2010), para 7.20; IPSA Scheme, para 9.20.

214 IPSA, *The MPs’ expenses scheme* (March 2010), para 7.22; IPSA Scheme, para 9.21.

215 NAO, paras 19, 1.22.

foul of the 90-day limit, concern about security if a regular pattern of journeys was revealed and not being able to find out how much was left within the budget.²¹⁶ The Hansard Society's research on new MPs provides a similar picture.²¹⁷ Witnesses from the Members' and Peers' Staff Association (MAPSA) told us that not claiming was widespread, for reasons such as concern about being high in league tables of spending in regional or local papers and uncertainty about whether a claim would be accepted or rejected.²¹⁸

128. In our survey, only 7% of MPs said that they had claimed all they were entitled to in the past six months; 56% said they had not claimed up to £1,000 for which they could have been reimbursed, 26% had not claimed between £1,000 and £5,000, and 11% had not claimed more than £5,000. The main reasons were: it takes too much time (78% considering this very important or quite important), the submission system is too complicated (77%), wanting to protect reputation by avoiding media coverage (82%), it is not worth the trouble submitting small claims (83%), and IPSA will not pre-approve claims (55%; in this case 37% considered this not very important as a reason).

129. The NAO noted that the new scheme paid out 15% less in 2010/11 than was paid out in 2009/10, but that, "given MPs' view that they are subsidising their own work ... we cannot conclude whether the reduction represents a genuine efficiency improvement".²¹⁹

130. Some of the reasons for not claiming are within IPSA's responsibility and others are not. The complexity of claiming, lack of clear advice and uncertainty about how much remains within the budget fall into the former category.²²⁰

131. There are different issues as regards reluctance to claim because the claim will be published. Not only is publication an integral part of the new arrangements, but the purpose of publishing is precisely so that the public can make their own judgment on whether the expenses were appropriate. We have considered this point above in relation to transparency.²²¹

216 Individual observations by MPs were provided by the NAO to the Committee.

217 Ev 101.

218 QQ 383–5.

219 NAO, para 13.

220 See QQ 259–60.

221 Paras 88–95 above.

Part 4. Operations

132. In this part of our report we examine how IPSA's scheme has worked in practice, with particular emphasis on the process of claiming and IPSA's handling of claims.

14. The claims process and advice

Cashflow problems and direct payments

133. Under the old system, many bills, especially for office costs, were paid by the House direct to suppliers, with the great advantages that no money passed through MPs' hands and MPs were not left out of pocket. In 2008/09, around £7 million of the £11.5 million of office expenditure was paid in this way.²²²

134. IPSA's Board was opposed to such arrangements, apparently less because of any administrative difficulties than because (strangely) it regarded them as inconsistent with the principle of reimbursing payments already made.²²³ In fact they are entirely compatible with that principle, as they are, by definition, for costs actually incurred. Instead, IPSA proposed a system of interest-free loans, a policy which our predecessors on the Committee on Members' Allowances criticised as likely to be "complex, expensive and cumbersome" and to create cashflow problems for MPs.²²⁴ IPSA rejected the Committee's views, stating that "we remain confident that our approach will be straightforward to administer".²²⁵

135. IPSA's policy, combined with the time taken to pay claims, had exactly the effect predicted. The NAO concluded that "MPs are spending large amounts of their own money upfront on their Parliamentary functions and some told us they suffer cash flow difficulties as a result. ... we calculate that in 2010–11 MPs who used the Scheme spent an average of around 50 per cent of their basic pay after deductions on expenses for which they had to await reimbursement" (£1,549 per month).²²⁶

136. The Hansard Society, drawing on its surveys of new MPs, observed that "many MPs found their early months in office a real financial struggle; many had incurred significant personal financial costs as candidates and this was then compounded, to an unreasonable degree, by being required to fund the set up of their constituency office and then subsequently reclaim the costs from IPSA, payment of which was often delayed leaving many MPs in debt for a period". It added that paying out substantial sums and receiving them back often weeks later "is more manageable for some than others and will impact most detrimentally on MPs of modest means".²²⁷ New MPs in May 2010 did not have the benefit of the start-up funding which IPSA has recently introduced, though IPSA told us

222 MAC, para 36.

223 IPSA, *MPs' expenses: a consultation* (January 2010), paras 7, 10.10.

224 MAC para 34.

225 IPSA, *The MPs' expenses scheme* (March 2010), HC 501, 2009–10, para 34.

226 NAO, paras 20, 2.25.

227 Ev 29–30.

some contingency funding was provided.²²⁸ We are not aware of any other profession with outgoings in advance of reimbursement on such a scale as that of MPs under IPSA's scheme.

137. As regards the time taken for claims to be paid, IPSA's target is for 95% of claims to be processed within 12 working days, which has been achieved from January 2011 but was not met before that.²²⁹ The NAO noted that in mid-2011 claims were on average being processed in six working days, but that that was only part of the time MPs had to wait for reimbursement: "Assuming they were to claim fortnightly, and taking into account the time between submission and reimbursement, claims may not be repaid for between two and three and a half weeks".²³⁰ The NAO recommended that IPSA set itself a more challenging target for approving routine claims, and IPSA has revised its target somewhat to ten days.²³¹

138. IPSA responded to the difficulties MPs were experiencing by completely reversing its policy. In addition to its loan scheme, it allowed claims for expensive items such as computers and office equipment in advance and in November 2010 introduced direct payment for office and residential rent payments and extended use of the payment card from travel to council tax and utilities.²³² In mid-2011, IPSA's view was that if MPs took full advantage of the facilities available (not including advances), those using the scheme would spend 13% of their basic pay after deductions on expenses for which they had to await reimbursement, instead of 50%.²³³ IPSA's Director of Policy told us that the direct payments and payment card could now cover up to 77% of costs, and "In time, hopefully, we will cover pretty much everything."²³⁴ A recent development is IPSA's agreement with the Trainline, which will provide IPSA with all the information needed for legitimate costs to be paid and published.²³⁵

139. The payment card avoids the problem of cash passing through MPs' personal bank accounts, but creates its own problems over reconciling card statements with claims. Direct payments offer a more promising approach, by simplifying the claims process. MPs, and especially new MPs, ought not to have been put in the situation they were in during the early months of this Parliament, but IPSA's steps to remedy that situation through greater use of the payment card and direct payments are welcome. In our survey, 95% of MPs who responded agreed or strongly agreed that IPSA was right to introduce more direct payments to suppliers, and 68% that the extension of the travel card was an improvement.

228 Ev 77, para 51.

229 NAO, p 26.

230 NAO, para 2.26.

231 NAO, para 25f; Ev 77, para 48.

232 Ev 77, para 50.

233 NAO, para 20.

234 QQ 54, 57.

235 Ev 77, para 50.

The system for claiming

140. IPSA's online claims system was criticised by almost all the MPs who responded to the NAO's survey, though some accepted that there had been improvements. The main criticism was that it was extremely time-consuming to use, especially with its combination of online claims and paper-based receipts, taking up time which MPs could be using to serve their constituents.

141. IPSA's view is that the system is "pretty standard" for expense management systems used by industry across the country, and that many other organisations use it.²³⁶ However, as the NAO observes, certain aspects of the payments scheme are peculiar to MPs, including the high number of separate claims, the separate forms for different budgets and the inability to send e-receipts or scanned receipts to IPSA.²³⁷ IPSA appears to have acquired a fairly standard system to do a far from standard job.

142. Specific criticisms made by MPs in May–June 2011 in response to the NAO's survey include:

- Tendency of the system to crash;
- Requirement to put in separate claims for each item, including daily claims for travel and monthly claims for items paid annually such as insurance, combined with repetitive data entry because information could not be pasted across and the system does not learn and offer defaults;
- Absence of any way of recording explanations (eg the need for a taxi for a particular journey) without having to repeat them for every similar claim;
- Forms which are too wide for the screen;
- Requirement to print out and post claims with the relevant receipts attached (even in the case of mileage, for which no documentary evidence exists), combined with a clumsy procedure for printing out requiring numerous mouse-clicks;
- Difficulty in correcting mistakes;
- Uncertainty over which form to claim on;
- Lack of clarity over whether the date should be that of the invoice or the payment, together with uncertainty over bills covering the end of the financial year and the start of the next;
- Timing out if other tasks such as constituents' phone calls are attended to;
- The time required to reconcile payment card statements with claims;

236 Q 277; PAC, Q 85.

237 NAO, para 2.12a.

- Inability to track claims and to link them with payments received, which are often aggregated and do not indicate what they cover;
- Inability to determine how much of a budget has been spent without keeping detailed financial records in addition to the information fed into IPSA's system.²³⁸

143. The observations of MPs' staff contributed to Unite's survey provide a similar picture, though in this case the comments are from January and February. About 70% of staff who had processed claims under the old system said they had spent less than an hour a week doing so, and only 1.5% spent three hours or more, whereas under the new system only 8% spent less than an hour and 59% spent three hours or more.²³⁹

144. The problems have been compounded by changing requirements, difficulty in obtaining advice and IPSA's unwillingness to say in advance whether a claim will be accepted. In effect, IPSA has outsourced a great deal of its administration to MPs and their staff, while providing less information to Members in return than the old paper-based system did. The way the online claims system works symbolises better than anything else IPSA's initial approach to its task.

145. IPSA has accepted that it could do more to reduce the burden on MPs, and has been taking steps to do so, including improvements to the electronic system, greater use of direct payments (for example for train travel and constituency office supplies) and a pilot scheme to simplify mileage payments.²⁴⁰ It calculated that taking over some of the data entry would cost about £150,000, adding about 6% to staff costs, though adopting the Scottish Parliament's system would cost £800,000 extra.²⁴¹ In our survey, 18% of MPs agreed with the statement that 'Since June 2011, I have noticed a significant decrease in the amount of time my staff and I spend dealing with expenses', but 58% disagreed or strongly disagreed.

IPSA's handling of claims

146. MPs made a range of criticisms of IPSA's handling of claims in their responses to the NAO:

- Inconsistent decisions on similar claims;
- A tendency to reject an entire claim when there is a problem (such as inadequate evidence) affecting only part of it;
- A 90-day limit on claims, which causes difficulties with, for example, quarterly bills, or bills which suppliers are slow to submit;
- Staff not reading explanatory paperwork sent with receipts;
- Loss of documents (though there were relatively few claims of this);

238 This paragraph is based on the individual observations made in response to the NAO's survey of MPs.

239 Survey by Unite, questions 2 and 3.

240 PAC, QQ 5, 12; Ev 77, para 50; Ev 79, para 71.

241 PAC, Q 11.

- A tendency to reject or send back claims rather than query them.

147. Similar criticisms were made by MPs' staff who responded to Unite's survey. These are all of course individual anonymised remarks, and it is not possible to check that all were well-founded, such as those relating to inconsistent decisions. In particular, IPSA rejected the suggestion made in evidence to us that documents were lost and the 90-day rule was imposed when they were re-submitted, stating that the electronic system made the risk of evidence being lost low and that, if IPSA lost the paperwork, it would waive the 90-day limit. It also told us that it would return claims if additional evidence was required, which was not the same as rejecting the claim.²⁴² In our survey of MPs, 63% stated that on at least one occasion in the previous six months IPSA had lost paperwork they submitted in support of a claim.

Availability of advice

148. MPs responding to the NAO made the following criticisms about the availability of advice from IPSA:

- Guidance difficult to find;
- Inconsistent advice from different people, or incorrect advice;
- Advice by phone available only in the afternoons (from 1 to 5 pm), and difficulty in getting through by phone;
- Slowness in responding to emails;
- Difficulty in securing face-to-face meetings;
- Absence of any system of case management or tracking of enquiries, so that the same explanations have to be made repeatedly to different people;
- Refusal to say whether claims are within the rules in advance of a claim being made.

149. These criticisms were similar to those made by MPs' staff earlier in the year.²⁴³ Some of these criticisms also featured in our more recent survey of MPs, but there was a mixed picture, with substantial numbers indicating that they had received "fairly useful" advice from IPSA in the previous six months; 74% said they had received "particularly helpful service from IPSA staff in the relation to the processing of expenses claims" at least once in the previous six months. There was some improvement in MPs' perceptions of the quality of IPSA's advice since the NAO asked a similar question in May/June, especially as regards advice provided in person.²⁴⁴

150. Again we cannot check what happened in individual cases. As regards inconsistent advice, IPSA told us that it had "seen no evidence, other than unsupported anecdotes, that such incidents are anything other than infrequent and isolated", and it would want to

²⁴² Ev 108.

²⁴³ Survey by Unite.

²⁴⁴ NAO, 'MPs views on the Independent Parliamentary Standards Authority', Q 3c.

investigate any examples provided to it.²⁴⁵ However, in our survey of MPs, 81% said they had received inconsistent advice from IPSA at least once in the past six months. Other items in the list are undisputed, such as the limited phone enquiry service, the absence of tracking of enquires and the refusal to say whether a claim is within the rules until it is made. The NAO noted that “IPSA’s guidance is not currently consolidated in one place, or easily searchable”.²⁴⁶ It also observed that IPSA’s handling of enquiries improved from October 2010 onwards, but that its speed of responding to written correspondence “remained variable”.²⁴⁷

151. There is some evidence of some MPs being better able than others to secure help from IPSA. The response of one to the NAO was that “We bundle up receipts and then ask IPSA staff member to come to our office to input them. This works and reduces our exposure to risk.” This clearly cannot be a general practice.

152. As regards unwillingness to give advice in advance of a claim on what might be allowed, IPSA’s reason is, in part, “that MPs must take responsibility for their spending decisions”.²⁴⁸ That, however, would be an argument for IPSA having no rules at all and leaving MPs to take responsibility. The CSPL stated its view that “it is a proper function of a regulator to be prepared to give advice on the implications of the regulations for which they are responsible, and that they ought to be able to do so without prejudicing the fact that ultimately it is an MP’s own responsibility to ensure the legitimacy of their claims”.²⁴⁹ Like the CSPL, we consider it reasonable that IPSA should give advice on whether its own rules permit or do not permit a particular claim; this would not remove the responsibility for making the claim from the MP. It is already the practice to give such advice in the Scottish Parliament. As unsuccessful claims are published whatever the reason for them, not giving such advice exposes an MP to the reputational risk of having a claim rejected and publicised.

Compliance function

153. The CSPL recommended that “Responsibility for investigating allegations about breaches of the rules on expenses should be vested in the independent regulator, which should be able to appoint its own compliance officer for this purpose. The compliance officer should be able to conduct an investigation on his or her own initiative, at the request of the independent regulator, or in response to a complaint from a member of the public or an MP.”²⁵⁰ Such a person was duly provided for in the 2010 Act, to be appointed by IPSA for a non-renewable five-year term. He has responsibility for adjudicating between MPs and IPSA about disputed claims, for investigating alleged abuses notified by members of the public and for launching his own investigations of suspected abuses.²⁵¹

245 Ev 108.

246 NAO, para 1.18a. See also NAO, para 2.12.

247 NAO, para 2.7.

248 NAO, para 2.12.

249 Ev 96, para 18.

250 CSPL, recommendation 44.

251 Ev 90.

154. An interim Compliance Officer was appointed on 10 May 2010, a permanent Compliance Office (Luke March) was in place from 31 March to 27 July 2011, and the present interim Compliance Officer (Martyn Taylor) was appointed on 28 July.²⁵² We took evidence from the last two of these. To date, there have been two requests by MPs for reviews of decisions by IPSA (one resulting in a formal review); 41 investigations, of which 18 have been closed after a preliminary investigation and 21 after a substantive investigation, leaving two open; and 36 complaints accepted as “qualifying complaints”, 35 from members of the public and one from an MP.²⁵³ Of the 21 results of investigations published recently, 20 were about the use of party-political logos on websites.²⁵⁴

155. Hugh Thomas told us that he would expect a compliance officer to be “very much the conscience of the board and the chief executive”, advising the Board and others and much closer to the Board and the organisation as a whole, with unfettered access to people and documents and the ability to begin a review of any aspect of the organisation; IPSA’s, on the other hand, seemed to be more of an investigations officer.²⁵⁵ Luke March considered the role was “a bit better than that”—more of an ombudsman or an adjudicator; however, the equivalent person in any other regulator would be the enforcement director, who would probably be a member of the Board.²⁵⁶ IPSA response is that the internal assurance role is undertaken by officials, and “it is correct to say that the Compliance Officer’s main role is therefore investigatory”.²⁵⁷

156. The Compliance Officer is appointed by IPSA, which determines his terms and conditions, and has a contract from IPSA but is said to be “functionally independent”.²⁵⁸ The Act requires that IPSA provide him with adequate resources. IPSA does stipulate the procedures for investigation and determines what is published, but the Compliance Officer is independent in carrying out the investigations and determining the timing of publication.²⁵⁹ Martyn Taylor told us he had not needed to remind the Board about his independence, and emphasised that the Compliance Officer, not being an employee, was able to comment freely on IPSA’s actions and processes.²⁶⁰ Luke March referred to “an extraordinary climate of suspicion towards the compliance role”, though he added that “I certainly felt independent of the Board”.²⁶¹

157. The cost of the compliance operation in 2010/11 was £307,000, though this included the cost of setting up processes and procedures and recruiting staff. The cost is expected to fall to £265,000 in 2011/12 and to around £190,000 from 2012/13.²⁶² There is only one

252 Ev 91.

253 Ev 93.

254 Q 133.

255 QQ 205–7.

256 QQ 323–4.

257 Ev 109.

258 2010 Act, Schedule 3; Ev 90, para 4; Q 123.

259 2010 Act, Schedule 3; QQ 123–4.

260 Q 129; Ev 92, para 38.

261 QQ 313, 316.

262 Ev 94–5, paras 9–10; QQ 139–40, 162.

member of staff besides the Compliance Officer himself, who is part-time.²⁶³ Martyn Taylor told us that IPSA's procedures for investigation had proved over-restrictive, but the changes currently being consulted about would make the process simpler and clearer. For example, they would remove the requirement to open a preliminary investigation before making enquiries of IPSA or an MP about a particular complaint. He did not believe changes to the legislation were needed.²⁶⁴

158. While IPSA is both administrator and regulator, a Compliance Officer based within IPSA but independent of it seems unavoidable. We consider later whether IPSA's regulatory and administrative functions should reside within separate organisations,²⁶⁵ in which case different arrangements would be appropriate, with the present compliance function possibly developing into something like the enforcement function in other regulators.

15. What may be claimed

159. 76% of MPs who responded to the NAO's questionnaire said there had been occasions when they had not been able to claim enough because of the levels at which the various budgets are set. 45% of those responding had found staffing expenditure insufficient, and the figures were 34% for office accommodation expenses, 33% for accommodation expenses, 22% for subsistence and 21% for travel expenditure. 91% tended to agree or strongly agree with the proposition that "MPs have to subsidise their own constituency work".²⁶⁶ However, that MPs are not always able to claim as much as they believe is needed for their parliamentary functions is not on its own evidence that more should be made available, especially at a time of financial stringency. As the NAO observed, the fact that most MPs have not claimed the full amount under most budgets in 2010–11 suggests that the amounts available are not the central issue,²⁶⁷ though this is also bound up with the matter of deterrents to claiming the full sums, as discussed above.²⁶⁸ IPSA pointed out that some flexibility is provided by contingency arrangements, under which £700,000 was made available to 140 MPs in 2010–11, for reasons such as very high levels of casework, shortage of suitable office space at reasonable rents and high start-up costs.²⁶⁹ We concentrate here on several matters which have caused particular difficulties. One such matter, support for families, has been discussed already.²⁷⁰

263 QQ 158–9.

264 Q 143; Ev 92–3, paras 41–7.

265 Paras 175, 177 below.

266 NAO, 'MPs' views on the Independent Parliamentary Standards Authority', QQ 17 and 21.

267 NAO, para 1.22.

268 Paras 127–31 above.

269 Ev 77, paras 51–2.

270 Paras 121–6 above.

Staffing expenditure

160. Staffing is the budget which MPs have found most constrained. IPSA states that it has continued the practice of providing funds for each MP to employ 3.5 (full-time equivalent) staff.²⁷¹ However, it made two significant changes:

- It included in staffing costs the employer's contribution towards pensions (then averaging £8,119). The staffing budget was increased in response, but it was suggested to us that the increase did not fully compensate for the change.²⁷²
- It prevented MPs "vireing" funds to their staffing budget from other budgets. In 2008/09, 120 MPs topped up their staffing budget from other budgets by vireing funds.²⁷³ IPSA's reason for doing so was its view that virement was "not consistent with the principles of openness and transparency, treating MPs like other citizens, or of designing a clear and understandable system",²⁷⁴ no part of which explanation we find at all convincing.

161. There is some anecdotal evidence of MPs reducing the number of staff employed, or making greater use of unpaid interns.²⁷⁵ There is scope for debate about whether enabling MPs to employ more staff is necessarily a good thing, but we do not regard a reduction in the ability to employ staff compared to the period before 2011 as justifiable. We note that IPSA has begun a consultation on staffing requirements and funding.²⁷⁶

Accommodation

162. We raise just three issues in respect of accommodation, in addition to provision for families which is discussed elsewhere.²⁷⁷ As regards constituencies deemed too close to London for additional accommodation to be justifiable, the House increased the number of such constituencies to 54 in 2008, the CSPL would have increased the number much further (to anywhere with a door-to-door commuting journey of less than an hour), IPSA initially proposed 56, and IPSA's initial scheme raised the number to 128, including constituencies as far from London as Aldershot, Basingstoke, Chelmsford, Guildford and Milton Keynes.²⁷⁸ If being an MP were a Monday to Friday 9 to 5 job, that might be seen as treating MPs like other citizens, but that is not so when there are late-night sittings and early-morning committees. IPSA's funding for occasional hotel stays and use of taxis and its reduction of the number of constituencies whose MP is not entitled to accommodation expenses to 97 (those 20 miles or less from London) has ameliorated this situation.

271 IPSA, *Annual Review of the MPs' expenses scheme: consultation* (January 2011), p 55.

272 QQ 359, 382. See IPSA, *Annual review of the MPs' expenses scheme: consultation* (January 2011), pp 55–6.

273 MAC, para 40, drawing on information from the House of Commons Department of Resources.

274 IPSA, *MPs expenses: a consultation* (January 2010), para 12.24.

275 QQ 359, 370.

276 See IPSA, *Annual Review of the MPs' scheme of expenses and costs: consultation* (November 2011), chapter 3.

277 Paras 122–3 above.

278 CSPL, paras 5.72–5.74 and Recommendation 7; IPSA, *MPs' expenses: a consultation* (January 2010), para 6.12; IPSA, *The MPs' expenses scheme* (March 2010), pp 52–3.

163. As regards the amount which can be claimed, the cap in the London Area is £19,900, or £1,658 per month, covering rent together with associated expenditure such as utility bills, council tax and contents insurance (replacing, at no extra cost to the taxpayer, the previous limit of £1,450 per month for rent plus a payment for associated expenditure).²⁷⁹ In February 2010, the Committee on Members' Allowances obtained advice from chartered surveyors that the range for a one-bedroom property in the Victoria area was between £1,538 and £2,058 per calendar month. That Committee also noted that the Ministry of Defence paid rents in central London up to a limit of £3,030.²⁸⁰ IPSA states that it analysed rental prices in London in February 2011, in relation to the limit then of £1,450 per month, and concluded that in 76 London postcode areas, the average rent of a one-bedroom property was £1,450 per month or less. Most of these postcode areas are some distance from Westminster, but they included several close to Westminster south of the Thames.²⁸¹

164. Abolition of support for mortgage interest was probably inevitable in view of the abuses uncovered in 2009. Mortgage interest is likely to be cheaper than rent, if there are sufficient safeguards against abuse, which was not the case before 2009. We note that in some cases the withdrawal of support for mortgage interest for existing mortgages on 31 August 2012 will result in the taxpayer having to meet higher claims being made for rent. The matter of MPs who claimed for mortgage interest before May 2010 being liable for capital gains requires attention.

Resettlement grant

165. The CSPL argued that MPs who stood down voluntarily at a general election should no longer receive resettlement grant but instead eight weeks' pay from the date of the election. It recommended that those who lost their seats at a general election should continue to receive resettlement grant, which should be one month's salary for each year of service up to a maximum of nine months.²⁸² IPSA in its consultation proposal expressed scepticism about whether there should be any form of redundancy payment for MPs, and made the bizarre suggestion that MPs could insure themselves against losing their seats.²⁸³ The Committee on Members' Allowances noted that the effect of IPSA's proposal would be that MPs would continue to be subject to redundancy at an unpredictable time without any possibility of preparing for it, would not even receive statutory redundancy pay (as they are office-holders rather than employees), and would be expected to wind up their constituency affairs without pay. This would be to treat MPs worse than other citizens, and would strongly discourage anyone without private means from entering Parliament.²⁸⁴ IPSA's response was that redundancy pay was not a reimbursement of expenses but part of

279 IPSA, *The MPs' expenses scheme* (March 2010), paras 5.9–5.10; IPSA Scheme, para 4.17.

280 MAC, para 60.

281 IPSA, *Annual review of the MPs' expenses scheme 2010–11* (March 2011), para 7.6 and map on p 113.

282 CSPL, paras 10.13–10.28 and Recommendations 30–1.

283 IPSA, *MPs' expenses: a consultation* (January 2010), para 11.7. See MAC, paras 143–52.

284 MAC, paras 145–52.

an overall package of employment terms and conditions, and would therefore be considered with MPs' pay and pensions if it became responsible for setting those.²⁸⁵

Flexibility

166. Another aspect is flexibility, for example when an MP seeks to combine in a single journey parliamentary purposes and party-political, family or personal purposes. Clearly IPSA should pay only as much of the cost as was necessary for the parliamentary purpose, and would need to be satisfied that that purpose was sufficient justification in itself for the journey, but not to pay at all because several purposes have been combined is to impose unnecessary constraints on an MP's activity. On the other hand, the rules need to be sufficiently precise that MPs know what claims are within the rules and can demonstrate that their claims have been legitimate ones within the rules set by an independent body. The Chair of IPSA told us that "we would wish to move more to greater discretion for the MP rather than to increasingly detailed rules, because of the diversity of MPs"; this depended on growing trust, and was "an evolutionary process".²⁸⁶ Any such change will need to be handled carefully, as, while MPs must take responsibility for their own claims, IPSA has a responsibility for determining what claims are legitimate and endorsing them as such.

16. Impact on MPs' staff

167. We received evidence from the Unite Parliamentary Staff Branch and the Members' and Peers' Staff Association about the impact of IPSA's scheme on the terms and conditions of MPs' staff. Some of the staff observations related to the difficulties of the claims process, and were similar to MPs' observations. As one member of staff put it, "I feel the constituents have been let down by the amount of time we are diverted away from day to day business to deal with admin and expenses matters". There were several criticisms relating to the impact on staff.

168. As discussed above, under the IPSA scheme, the staffing budget has risen from £105,264 in 2009/10 to £115,000 in 2010/11, but it is now expected to cover staff pension payments and child care costs, previously met from a central budget.²⁸⁷ The Chair of the Parliamentary Staff Branch of Unite noted a "huge amount of disquiet" about the changes. He said that IPSA's defence was that it had removed a number of elements previously included in the staff expenditure budget, but these elements made a "negligible difference" to the budget, and the end result was "evidence of staff hours being reduced and redundancies taking place as a result".²⁸⁸

169. Staff employed before May 2010 are eligible for £8 a day as a contribution to childcare costs. However, those taken on after May 2010 are eligible only for a salary sacrifice scheme. Unite told us that a number of their members who were made redundant at the election when their MP stood down or was defeated had subsequently found employment

²⁸⁵ IPSA, *The MPs' expenses scheme* (March 2010), paras 213–14.

²⁸⁶ Q 44.

²⁸⁷ IPSA Scheme, paras 7.3, 7.5.

²⁸⁸ Q 359.

with another MP, but were finding that the change to child care support was making it “increasingly difficult to make ends meet”. Unite believed the change had been “purely for budgetary reasons”, and considered that “It is a backwards step and sends a message that Parliament is not a family-friendly place to work”.²⁸⁹ IPSA states that it “recognises that its Scheme is less generous than the previous Scheme administered by the House of Commons, but it believes its Scheme provides a suitable level of support to staff members, comparable to the schemes administered by other public sector organisations”.²⁹⁰

170. Another concern is redundancy payments. The Chair of the Unite Parliamentary Staff Branch informed us that MPs’ staff used to be eligible for a maximum 15% bonus in a given year, at the discretion of the MP concerned and if funds were available in the MP’s staffing budget. In the event of redundancy, this could be “matched” with an additional bonus, again at the discretion of the MP concerned and if funds were available. This was in addition to statutory redundancy pay.²⁹¹ Under the new scheme, staff redundancy payments are paid from the contingency fund; IPSA’s standard contract for staff states that these will be “made in accordance with statutory requirements”—in other words, without the possibility of a bonus.²⁹² Unite suggested that, combined with the move to fixed-term parliaments, the reduction in redundancy provision for MPs’ staff was likely to make retention a “real problem” in the period leading up to an election.²⁹³

171. Some staff who responded to Unite’s survey mentioned delays in receiving payments when they had incurred costs on behalf of the MP, sometimes of a month or so, slowness in paying the expenses of unpaid interns and the fact that payments are made to the MP rather than directly to them. For example: “Trying to claim for train tickets to attend surgeries in the constituency every month typically takes four weeks; when you’re on a low salary of 17K, waiting for IPSA to refund £60 every month is a nightmare”; “When a bill needs to be paid urgently I have to put it on my card and then wait to reclaim it from IPSA, via my Member”; “I have to pay BT bills myself then claim the money back as I know from experience they are slow and we have been threatened with bailiff action”; “It is my money that I have paid out of my pocket [for mileage, train tickets and office supplies] ... doing the work I am expected to do yet I have a monthly battle trying to work out if any of the monies have been paid”. One constituency worker said that attending training courses at Westminster, involving train and hotel costs, had become “virtually impossible due to the claiming back system—those of us on low wages ... simply cannot afford to have such an outlay”. IPSA is not the employer of MPs’ staff, but it has a duty of care towards them and needs to take much more account of their relatively low wages.

289 Ev 106, paras 6–7; Q 366.

290 IPSA, *Annual review of the MPs’ expenses scheme 2010–11* (March 2011), EIA para 2.40.

291 Q 370.

292 IPSA, Statement of main terms and conditions of permanent employment for Members’ staff, para 25.

293 Q 370.

Conclusions and Recommendations

Introduction

172. Following the expenses scandal of 2009, Parliament was right to establish an independent system of payments for MPs' costs which would prevent abuses. The aims which the new system was intended to achieve were the right ones, including independence, value for money for the taxpayer, transparency, increased public confidence in the payments system and enabling Members to perform their parliamentary duties on behalf of their constituents and thereby Parliament to function effectively.

173. However, the new system was agreed upon, legislated for and implemented in haste, leaving a number of major issues unresolved, and the inherent problems have been made worse by some of the decisions of IPSA's board. Eighteen months after the new system came into operation, it is clear that many of the aims which were set out for the new system are not being realised. In our review we have considered each of those aims in turn, examining the extent to which they have been realised and how they could be realised more effectively. Our recommendations therefore arise directly from the aims set out in 2009.

Independence and primary purpose

174. At the heart of the problems is the fact that the legislation nowhere sets out what the purpose is of the payments scheme, and therefore of IPSA.²⁹⁴ We agree with the CSPL that the purpose of the scheme is "to ensure that MPs are properly supported to do their jobs". Obviously IPSA must also have regard to other factors, such as the current financial stringency and public confidence, and it must make its own independent decisions as to what constitutes "proper support", but a scheme to cover MPs' costs and expenses cannot have any other primary purpose than enabling MPs to do their jobs for the benefit of their constituents. Instead, IPSA states that its purpose is to pursue "the public interest" (which the Act does not refer to) and that (as the Act does provide) it is merely to "have regard" to the principle of enabling MPs to do their jobs.²⁹⁵

175. Moreover, the Act makes IPSA both the regulator and the service provider, which is unsatisfactory because a regulator should not be regulating itself. The NAO found that IPSA was the only independent regulator for a legislative body which also had responsibility for processing and validating claims; everywhere else, even where a scheme's rules are determined independently, administration of the rules remains the responsibility of parliamentary staff.²⁹⁶ There is a good reason for this, which is that parliamentary staff are more likely to administer a scheme in such a way that it does not impose undue burdens on MPs, while independent regulation and transparency can ensure that they do not allow abuses to flourish or succumb to pressure. As noted above, the CSPL's

294 Paras 8–13 above.

295 Para 9 above.

296 Para 51 above.

fundamental principles include independence in determining the details of the scheme and in audit and assurance, but not in administering the scheme.²⁹⁷

176. The problem is not just weaknesses in the legislation but also a number of serious errors by IPSA's board. As discussed earlier, implementing the new system very quickly was an achievement, but some of the recent changes to the scheme illustrate the magnitude of the initial errors. In particular:

- IPSA's board ruled out direct payments, with the result that for a time MPs were spending an average of 50% of their post-tax pay on costs for which they had to await reimbursement. Now IPSA regards direct payments as the way forward.²⁹⁸
- A claims system was adopted which was suitable for standard expenses but entirely unsuitable for the much more complicated costs and expenses necessarily incurred by MPs.²⁹⁹ Even the most basic adjustments to make it easier to use, such as reducing repetitive inputting, have been made only fairly recently. Consequently IPSA outsourced much of the scheme's administration to MPs and their staff, taking them away from their work for constituents.
- IPSA paid too little attention to MPs' need for advice on the implications of its rules.³⁰⁰
- The initial rules on accommodation and travel ignored MPs' caring role in respect of dependent children aged five or over.³⁰¹
- Separate budgets for office rents and other office costs created unnecessary inflexibility.
- Parliamentary duties were so narrowly defined that an MP could not claim for travel outside his or her constituency even when the journey concerned a matter before Parliament.

177. IPSA has made some changes to the scheme, but we do not regard them as sufficient. We believe the status quo is untenable, for the following reasons: the administration of the system does not provide value for money; MPs are being hindered in carrying out their parliamentary duties and deterred from making legitimate claims, to the detriment of their constituents and the democratic process;³⁰² transparency is not achieving its purpose of enabling the public to make informed judgments about the costs incurred by individual MPs and to make valid comparisons between them;³⁰³ and MPs with families or without independent means are being placed at a disadvantage,³⁰⁴ with long-term consequences for the future composition of the House.

297 Para 70 above.

298 Paras 134–5, 138 above.

299 Para 141 above.

300 Paras 148–52 above.

301 Paras 122, 125 above.

302 Paras 127–31 above.

303 Paras 90–4 above.

304 Paras 117–26 above.

Recommendations:

Independent determination of the payments system for MPs' costs and independent regulation of it are fundamental and should continue. (Recommendation 1)

The Act should be amended in accordance with the CSPL's recommendation to provide that IPSA's primary duty is "to support MPs efficiently, cost-effectively and transparently in carrying out their parliamentary functions". It would continue to be IPSA's role to determine what assistance for MPs was necessary. (Recommendation 2)

IPSA's current administrative role should be carried out by a separate body, so that IPSA is not regulating itself, and the Act should be amended to permit this. The best arrangement would be for that separate body to be within the House of Commons Service, both because such a body would avoid imposing undue burdens on MPs and because it would benefit from the economies of scale of being part of a larger organisation in areas such as human resources and IT. Independent regulation by IPSA and transparency would ensure that it did not replicate the deficiencies of the old expenses system. (Recommendation 3)

Value for money for the taxpayer

178. The cost of administering the system of payments for MPs' costs has risen by millions of pounds, even when the indirect costs of the old system are added to the direct costs.³⁰⁵ The NAO calculated IPSA's cost per claim as just under £16, with 38% of claims being for less than that average processing cost.³⁰⁶ As well as IPSA's own costs, the system has imposed considerable extra work on MPs and their staff, taking them away from their parliamentary duties and causing a proportion of the taxpayer's expenditure on MPs' staff under the scheme to be wasted.³⁰⁷

179. The sums paid out to MPs were less in 2010/11 than in the final year of self-regulation following the reforms of 2009, but the NAO indicated that, given MPs' view that they are subsidising their own work, it could not conclude that the reduction was a genuine efficiency improvement.³⁰⁸ From our own experience we are certain that it is not. Value for money must be assessed in terms of the effectiveness of IPSA's expenditure in enabling individual MPs and therefore parliamentary democracy to function effectively and not simply in terms of the level of that expenditure.

180. The NAO asked IPSA to consider several points arising from comparisons with other legislatures and organisations: risk-based validation and monitoring, more direct provision of business resources and centralised procurement contracts.³⁰⁹ As discussed above, direct provision and centralised procurement contracts would require a careful balance between

305 Para 78 above.

306 Para 81 above.

307 Paras 82, 111–13 above.

308 Para 129 above.

309 Paras 83–4 above.

the advantages of centralisation and the disadvantage of lack of flexibility,³¹⁰ and that balance is more likely to be achieved by an administrative body within the House Service than by IPSA. If that balance were achieved, direct provision and central purchasing would allow MPs to spend more time performing the duties for which they were elected and offer the taxpayer a significant saving.

181. The most important contributor to high costs is the complexity of IPSA's scheme. We consider later how the scheme and its administration might be simplified.³¹¹

Recommendations:

The body administering MPs' expenses should implement a more risk-based and therefore cost-effective approach to validation, as recommended by the NAO. (Recommendation 4)

The body administering MPs' expenses should extend its use of direct payments to cover as near to 100% of transactions as possible. (Recommendation 5)

The body administering MPs' expenses should make more extensive use of its capacity to purchase and provide centrally. (Recommendation 6)

Transparency

182. The purpose of transparency in the payments scheme for MPs' costs is to enable the public to judge whether the details of the scheme and its administration and regulation are fair and effective, to make informed assessments of whether the costs claimed by each MP are justifiable and to make well-founded comparisons between MPs. IPSA has published a great deal of information, but that has not been shaped by an assessment of what the purpose of such publication is. Consequently it has not assisted the public to make meaningful judgements of MPs and comparisons between them. In particular, IPSA's policy of bi-monthly publication of claims allows meaningless comparisons and misrepresentation by the media.³¹² Our recommendations below seek to make IPSA both more transparent and more effective in achieving the purpose of transparency.

183. IPSA's decision to publish individual claims without the underlying receipts means that the system is open to the perception of abuse.

Recommendations:

IPSA should improve its system of publication by:

- **Creating an enhanced scheme of annual publication of claims, which would be searchable and facilitate comparisons, and would include the underlying receipts (subject to safeguards relating to personal details and security);**

310 Para 84 above.

311 Paras 195–200 below.

312 Paras 93–4 above.

- **Begin developing and implementing a cost-effective system of real-time publication of claims, or at least publishing on an accruals basis (reflecting when the costs were incurred), and immediately ceasing the misleading bi-monthly publication. (Recommendation 7)**

When publishing claims, IPSA should make a clear distinction between (a) costs commonly regarded as personal, such as accommodation and travel, and (b) office and staff costs. The latter would not be described as “expenses” in any other profession, and should not be so described by IPSA, which should publish them separately from other costs. (Recommendation 8)

When publishing “not paid” and “part-paid” claims, IPSA should classify each one in respect of the reason for non-payment; and it should review whether publication of such claims increases or reduces public confidence in the payments system and Parliament. (Recommendation 9)

Public confidence

184. The responses to the NAO’s survey question indicated that public confidence in the system of payments for MPs’ costs had increased. It is reasonable to attribute some of this to the fact that there is an independent body (IPSA) running the payments system and that it has ensured that there is no systematic abuse of the system, as well as to the impact of an election and the imprisonment of several former MPs.³¹³ Independent determination and regulation of the system is essential, as we have indicated above.³¹⁴

185. However, increased public confidence in the payments system does not necessarily translate into increased public confidence in Parliament and MPs. That is partly because public confidence in Parliament and MPs depends on a wider range of issues, but in our view it is also partly because of the impact of IPSA’s system of bi-monthly publication on the reputations of individual MPs and thereby on the House itself.³¹⁵

Members’ ability to fulfil their duties

186. The claims system introduced by IPSA’s Board is obstructing MPs in fulfilling their duties and thereby impeding the effective functioning of Parliament. The NAO found that 85% of MPs considered IPSA’s system was such a burden that it hindered them in doing their jobs,³¹⁶ and the percentage was the same in our survey.

187. Nothing better illustrates the IPSA Board’s attitude towards its task and towards MPs than its online claims system, which imposes major costs on MPs for the sake of a relatively minor saving in its own administrative costs (estimated by IPSA itself at about £150,000).³¹⁷ Requiring 650 MPs and a similar number of their staff, instead of a handful of skilled IPSA

313 Para 101 above.

314 Paras 3, 36 above.

315 Paras 93–4, 100, 103 above.

316 Paras 111–12 above.

317 Para 145 above.

staff, to master the electronic system and enter data was an inefficient use of a public resource. It is here that the absence from the legislation of a specific requirement that IPSA must assist MPs to perform their parliamentary functions has been especially damaging.

188. IPSA's rules on staff, together with its diversion of the time of MPs' staff towards operating the claims system, have reduced the staffing available to MPs in the face of a well-resourced Executive. In particular, under the old system, MPs could transfer funding (or "vire") between their office and staff budgets, and a large number did so, enabling them to operate more effectively to the benefit of their constituents and with no loss of accountability.³¹⁸ This practice is permitted in the Scottish Parliament.³¹⁹ An alternative would be to provide a single office and staff budget so that each MP could make his or her own decision on the most effective use of resources, given that each constituency is unique in its geography, demographics and transport.

Recommendations:

In order to use publicly-funded resources more effectively, IPSA should offer MPs the option of submitting claims in paper form only, allowing IPSA more efficiently and in a more controlled way to enter the data into their online system. (Recommendation 10)

IPSA should merge the office and staff budgets. (Recommendation 11)

Impact on Members with families

189. The role of an MP inevitably puts a strain on family life. The payments system introduced by IPSA appears to have exacerbated those strains, as indicated by our evidence from Dr Madan and by the views of MPs gathered by the Hansard Society and ourselves.³²⁰ In particular IPSA removed additional provision for accommodation or family travel in cases where MPs had dependent children aged five or over.³²¹

190. The accommodation and travel rules for MPs with children aged five or above have since changed. However, it is likely that this will lead to accusations of "special treatment" for such MPs and individual MPs being singled out in the media for receiving a benefit which is not available to the public at large. In fact the provision reflects the unusual circumstance of being required to live and work in two separate places, and recognises the impact of this on family life.

Impact on Members without independent means

191. The NAO found that many MPs are subsidising the cost of their work, and paying out a substantial proportion of their post-tax salary before receiving reimbursement, causing

³¹⁸ Para 160 above.

³¹⁹ Scottish Parliament, Members' Expenses Scheme, para 1.6.2 (up to half of an MSP's entitlement to office costs may be transferred to staff costs).

³²⁰ Paras 114, 126; Ev 102; Annex 2 below.

³²¹ Paras 122, 125 above.

serious cashflow problems for some.³²² IPSA's Board had apparently made no assessment of these problems before the NAO brought them to its attention.

192. This situation risks creating a two-tier House of Commons: MPs with independent means can bear some or all of the costs of fulfilling their parliamentary duties, whereas those without independent means are forced to make claims and risk reputational damage as a result of the local and national press placing them higher in rankings of costs claimed.

Detering MPs from submitting legitimate claims

193. The NAO has clearly demonstrated that MPs are being deterred from submitting legitimate claims.³²³ Beyond stating that MPs should claim what they are entitled to, IPSA's Board has failed to address this issue and its impact on whether the objectives set for the payments system are being achieved. Some of the reasons why legitimate claims are deterred are within IPSA's control, such as its unwillingness to give advice on whether specific claims are within the rules or not, the method of claims and reimbursement and the nature of its publication arrangements.

Recommendations

IPSA should, on request from MPs, indicate to them whether a specific claim will be accepted or rejected; any subsequent claim would of course be published in the usual way. (Recommendation 12)

IPSA should make it easier for MPs to find out online how much of each budget has been spent. (Recommendation 13)

Impact on MPs' staff

194. MPs' staff have not only had to spend significant amounts of time dealing with IPSA's claims system, but IPSA has worsened their terms and conditions, downgrading their redundancy terms and provision for childcare.³²⁴ IPSA's procedures have also left many of them out of pocket for long periods when they have incurred costs on behalf of their MP, and it does not consistently reimburse such costs directly.³²⁵ IPSA's initial unwillingness to meet representatives of staff appears symptomatic of its attitude towards MPs' staff.³²⁶

Recommendations:

IPSA should establish a liaison group with MPs' staff, and should include their representatives in consultations on the same basis as the statutory consultees. (Recommendation 14)

322 Paras 118, 135–6 above.

323 Para 127 above. See also para 128 above.

324 Paras 169–70 above.

325 Para 171 above.

326 QQ 347–8, 399–400; Ev 107.

IPSA should review the overall remuneration package of MPs' staff, and in particular redundancy pay, with a view to ensuring that they are appropriately rewarded and that MPs are able to retain experienced staff and provide opportunities to interns. (Recommendation 15)

IPSA should make it a consistent practice that MPs' staff who incur legitimate costs relating to the MP's parliamentary duties receive reimbursement direct, and should ensure that such reimbursement is made promptly. (Recommendation 16)

Payments for MPs' costs

195. As already indicated, there needs to be a clear separation between, on the one hand, costs generally regarded as personal (accommodation and travel) and, on the other hand, office costs and staff. As regards the personal costs, to simplify the scheme IPSA could consider extending its existing system of geographically-differentiated supplements.

196. Assuming there is a robust rationale and method of calculation for IPSA's Outer London supplement, the travel element could be determined in a similar way, taking account of actual travel claims (perhaps for the period 2001–10). For the accommodation element, it would be essential to minimise the scope for a personal benefit to MPs and to make a significant saving over the recent average costs in each region. There could be different rates for those MPs with and without a second dwelling. The levels of the supplements would of course be determined by IPSA.

197. Some legislatures elsewhere operate a system of this sort, such as the German Bundestag.³²⁷ IPSA itself has indicated that there can be circumstances in which a flat-rate allowance is the best option: in March 2010 it stated its "belief as a matter of principle that it is preferable that MPs should receive expenses for costs actually and reasonably incurred, rather than a flat rate allowance; unless the cost of administering such a system is shown to be disproportionate to the benefits, or the use of expenses imposes an unreasonable burden on MPs to fund costs before claiming them back."³²⁸ Indeed IPSA has not only provided such a flat-rate allowance since its scheme began (the London Area Living Payment) but has recently introduced a new one in the form of an extra supplement for Outer London MPs.³²⁹

198. A system of regional supplements could have the advantages of: increasing transparency and contributing towards public confidence, as a simple comprehensible system for the public; reducing the cost for the taxpayer, by cutting the administrative costs and by setting the initial levels lower than the current average payments, thereby *guaranteeing* a reduced overall cost; reducing the time spent on form-filling, leaving MPs and their staff more time to carry out their parliamentary duties; minimizing the disadvantages felt by MPs with families and without independent means; and not deterring MPs from requesting payments towards costs legitimately incurred.

327 Para 52 above.

328 IPSA, *The MPs' expenses scheme* (March 2010), p 60. See also IPSA, *Frequently asked questions* (25 March 2011), p 8.

329 Para 48 above.

199. Equally we recognise that there are legitimate concerns about MPs making personal gains and about accountability for the way in which money is spent if such a scheme were not carefully constructed.

200. Therefore we concentrate here on securing better information about how the current system of regional supplements works and the impact of their wider application, in order to allow a well-informed public debate in advance of any decision for or against such a system being extended.

Recommendation:

To facilitate informed consideration and public debate about cost-effectiveness and accountability, we recommend that:

- a. **IPSA provide a detailed explanation of the rationale for its existing London supplements (especially the Outer London one) and make transparent its current methodology for calculation of the rates.**
- b. **A body independent of both Parliament and IPSA be commissioned by the House Service to undertake a financial cost-benefit analysis to determine whether extending IPSA's current system of London and Outer London supplements to other regions in the UK could provide greater value for money for taxpayers, and an evaluation of the extent to which each of the aims for the Act set out in 2009 would be achieved.**
- c. **In not more than six months' time, the House should have the opportunity to consider the merits of that cost-benefit analysis and evaluation and to make a decision on whether there should or should not be a system of regional supplements instead of the existing travel and accommodation provisions. (Recommendation 17)**

MPs' salaries

201. In setting salaries, IPSA should take account of the 1911 principle that MPs should be able to maintain themselves "comfortably and honourably, but not luxuriously" and the Lawrence Committee's principle that MPs' should be able to discharge their duties "without undue financial worry and to live and maintain themselves and their families at a modest but honourable level."³³⁰

202. We believe that, whenever possible, salaries should be set by IPSA at the start of a Parliament and maintained for the duration of that Parliament, and would apply the same principle to the setting of rates and maxima for any other payments to MPs.

Recommendation:

The levels of salaries and rates and maxima for any other payments to MPs should, whenever possible, be set by IPSA at the start of a Parliament for the duration of that Parliament. (Recommendation 18)

³³⁰ Paras 18, 22 above.

When it examines the matter of resettlement grants for MPs who lose their seats at a general election, IPSA should take into account the arrangements in the Scottish Parliament and the National Assembly for Wales. (Recommendation 19.)

The role of Parliament

203. Parliament has a duty to ensure that individual MPs and thus Parliament itself are able to operate effectively, for the benefit of their constituents and of the country as a whole. That duty cannot be sub-contracted *unconditionally* to a separate body. IPSA's Board has so far failed to achieve the aims intended in setting up an independent payments scheme, and in particular to run the scheme in such a way that MPs are able to fulfil their parliamentary duties effectively. In December 2010 the Prime Minister said that IPSA must change or be changed,³³¹ but the revisions made by IPSA to the scheme since then have not gone far enough.

204. Under the Act, Parliament has the option of passing a motion praying Her Majesty to remove from office the Chair and other Board members of IPSA.³³² More constructively, it has the power to amend the 2009 Act so that IPSA operates within a different legislative framework while remaining independent and continuing to determine and regulate the payments scheme within that framework. Some of our recommendations require legislative changes; others are not dependent on legislation, but could be brought about in that way if IPSA does not act. We believe that step should be taken if IPSA's Board has not implemented the recommendations of this report by 1 April 2012.

205. The best way of promoting public confidence in Parliament and in the system of payments for MPs' costs is to ensure that Parliament is effective, and is seen to be so, in holding the Government to account and dealing with the matters that people care about, and therefore that the taxpayers' money devoted to enabling MPs to fulfil their parliamentary duties is money well spent. We believe our recommendations would increase MPs' ability to fulfil their parliamentary duties, and thereby contribute to the effectiveness of Parliament. We urge the Government and Parliament to have the courage to reform the system of payments for MPs' costs by implementing our recommendations.

331 Speech to 1922 Committee, 15 December 2010.

332 Para 63 above.

Summary of recommendations

1. Independent determination of the payments system for MPs' costs and independent regulation of it are fundamental and should continue. (para 177)
2. The Act should be amended in accordance with the CSPL's recommendation to provide that IPSA's primary duty is "to support MPs efficiently, cost-effectively and transparently in carrying out their parliamentary functions". It would continue to be IPSA's role to determine what assistance for MPs was necessary. (para 177)
3. IPSA's current administrative role should be carried out by a separate body, so that IPSA is not regulating itself, and the Act should be amended to permit this. The best arrangement would be for that separate body to be within the House of Commons Service, both because such a body would avoid imposing undue burdens on MPs and because it would benefit from the economies of scale of being part of a larger organisation in areas such as human resources and IT. Independent regulation by IPSA and transparency would ensure that it did not replicate the deficiencies of the old expenses system. (para 177)
4. The body administering MPs' expenses should implement a more risk-based and therefore cost-effective approach to validation, as recommended by the NAO. (para 181)
5. The body administering MPs' expenses should extend its use of direct payments to cover as near to 100% of transactions as possible. (para 181)
6. The body administering MPs' expenses should make more extensive use of its capacity to purchase and provide centrally. (para 181)
7. IPSA should improve its system of publication by:
 - Creating an enhanced scheme of annual publication of claims, which would be searchable and facilitate comparisons, and would include the underlying receipts (subject to safeguards relating to personal details and security);
 - Begin developing and implementing a cost-effective system of real-time publication of claims, or at least publishing on an accruals basis (reflecting when the costs were incurred), and immediately ceasing the misleading bi-monthly publication. (para 183)
8. When publishing claims, IPSA should make a clear distinction between (a) costs commonly regarded as personal, such as accommodation and travel, and (b) office and staff costs. The latter would not be described as "expenses" in any other profession, and should not be so described by IPSA, which should publish them separately from other costs. (para 183)
9. When publishing "not paid" and "part-paid" claims, IPSA should classify each one in respect of the reason for non-payment; and it should review whether publication of such claims increases or reduces public confidence in the payments system and Parliament. (para 183)

10. In order to use publicly-funded resources more effectively, IPSA should offer MPs the option of submitting claims in paper form only, allowing IPSA more efficiently and in a more controlled way to enter the data into their online system. (para 188)

11. IPSA should merge the office and staff budgets. (para 188)

12. IPSA should, on request from MPs, indicate to them whether a specific claim will be accepted or rejected; any subsequent claim would of course be published in the usual way. (para 193)

13. IPSA should make it easier for MPs to find out online how much of each budget has been spent. (para 193)

14. IPSA should establish a liaison group with MPs' staff, and should include their representatives in consultations on the same basis as the statutory consultees. (para 194)

15. IPSA should review the overall remuneration package of MPs' staff, and in particular redundancy pay, with a view to ensuring that they are appropriately rewarded and that MPs are able to retain experienced staff and provide opportunities to interns. (para 194)

16. IPSA should make it a consistent practice that MPs' staff who incur legitimate costs relating to the MP's parliamentary duties receive reimbursement direct, and should ensure that such reimbursement is made promptly. (para 194)

17. To facilitate informed consideration and public debate about cost-effectiveness and accountability, we recommend that:

- a) IPSA provide a detailed explanation of the rationale for its existing London supplements (especially the Outer London one) and make transparent its current methodology for calculation of the rates.
- b) A body independent of both Parliament and IPSA be commissioned by the House Service to undertake a financial cost-benefit analysis to determine whether extending IPSA's current system of London and Outer London supplements to other regions in the UK could provide greater value for money for taxpayers, and an evaluation of the extent to which each of the aims for the Act set out in 2009 would be achieved.
- c) In not more than six months' time, the House should have the opportunity to consider the merits of that cost-benefit analysis and evaluation and to make a decision on whether there should or should not be a system of regional supplements instead of the existing travel and accommodation provisions. (para 200)

18. The levels of salaries and rates and maxima for any other payments to MPs should, whenever possible, be set by IPSA at the start of a Parliament for the duration of that Parliament. (para 202)

19. When it examines the matter of resettlement grants for MPs who lose their seats at a general election, IPSA should take into account the arrangements in the Scottish Parliament and the National Assembly for Wales. (para 202)

Annex 1

Survey by the Committee of MPs' views on the operation of the Parliamentary Standards Act 2009

206 Members completed the survey between 30 November and 6 December 2011.

1. When did you enter the House?	Response %	Response count
2010 or later	38.8	80
before 2010	61.2	126
answered question		206

2. Do you agree with the following statement? The current IPSA Board offers MPs effective support in carrying out their parliamentary duties.	Response %	Response count
Strongly agree	1.0	2
Agree	6.3	13
Neither agree nor disagree	11.7	24
Disagree	48.1	99
Strongly disagree	33.0	68
answered question		206

3. Do you agree with the following statement? Independent regulation of the expenses system is important to improve public confidence in Parliament.	Response %	Response count
Strongly agree	34.1	70
Agree	43.4	89
Neither agree nor disagree	15.1	31
Disagree	6.8	14
Strongly disagree	0.5	1
answered question		205

4. Do you agree with the following statement? IPSA's expenses system is adversely affecting MPs' family lives.	Response %	Response count
Strongly agree	41.0	84
Agree	36.6	75
Neither agree nor disagree	16.1	33
Disagree	4.4	9
Strongly disagree	2.0	4
answered question		205

5. Do you agree with the following statement? IPSA understands what I do in my role as an MP.	Response %	Response count
Strongly agree	1.0	2
Agree	3.4	7
Neither agree nor disagree	8.7	18
Disagree	34.0	70
Strongly disagree	52.9	109
answered question		206

6. Do you agree with the following statement? IPSA should publish the receipts it receives in support of claims.	Response %	Response count
Strongly agree	6.9	14
Agree	24.0	49
Neither agree nor disagree	29.4	60
Disagree	26.5	54
Strongly disagree	13.2	27
answered question		204

7 Do you agree with the following statement? IPSA was right to introduce more direct payments to suppliers.	Response %	Response count
Strongly agree	59.3	121
Agree	35.8	73
Neither agree nor disagree	3.9	8
Disagree	0.5	1
Strongly disagree	0.5	1
answered question		204

8. Do you agree with the following statement? The time taken for MPs and their staff to submit claims to IPSA is such a burden that it hinders them from doing their job.	Response %	Response count
Strongly agree	52.7	106
Agree	32.3	65
Neither agree nor disagree	7.5	15
Disagree	5.5	11
Strongly disagree	2.0	4
answered question		201

9. Do you agree with the following statement? Since June 2011, I have noticed a significant decrease in the amount of time my staff and I spend dealing with expenses.	Response %	Response count
Strongly agree	0.5	1
Agree	17.6	36
Neither agree nor disagree	23.9	49
Disagree	39.0	80
Strongly disagree	19.0	39
answered question		205

10. Do you agree with the following statement? The extension of the travel card represents an improvement to the system.	Response %	Response count
Strongly agree	21.5%	44
Agree	46.3%	95
Neither agree nor disagree	26.3%	54
Disagree	5.4%	11
Strongly disagree	0.5%	1
answered question		205

11. In the last six months, can you estimate	0	1-2	3-5	6-10	More than 10	I don't submit claims	Response count
on how many occasions you have received inconsistent advice from IPSA?	15.8% (32)	32.2% (65)	35.6% (72)	8.4% (17)	4.5% (9)	3.5% (7)	202
on how many occasions IPSA has lost paperwork that you submitted in support of a claim?	34.2% (69)	39.6% (80)	17.3% (35)	5.0% (10)	1.0% (2)	3.0% (6)	202
on how many occasions you received particularly helpful service from IPSA staff in relation to the processing of expenses claims?	23.6% (48)	42.4% (86)	22.2% (45)	4.4% (9)	4.9% (10)	2.5% (5)	203
how many of your claims have not been processed and paid by IPSA within their target of 12 working days?	3.1% (6)	13.4% (26)	20.1% (39)	20.1% (39)	39.2% (76)	4.1% (8)	194
how many of your inquiries to IPSA by email were not responded to within their target of 5 working days?	29.6% (56)	25.9% (49)	21.2% (40)	9.0% (17)	9.5% (18)	4.8% (9)	189
answered question							204

12. Since June 2011, how useful have you found the advice provided by IPSA?	Very useful	Fairly useful	Not very useful	Not at all useful	No opinion	I haven't contacted IPSA	Response count
(a) by telephone	9.9% (20)	48.0% (97)	17.3% (35)	13.9% (28)	3.0% (6)	7.9% (16)	202
(b) in writing	2.0% (4)	16.2% (32)	22.3% (44)	13.7% (27)	12.2% (24)	33.5% (66)	197
(c) by email	3.0% (6)	38.7% (77)	24.1% (48)	16.6% (33)	6.5% (13)	11.1% (22)	199
(d) in person	9.9% (19)	13.6% (26)	3.1% (6)	4.7% (9)	15.7% (30)	52.9% (101)	191
answered question							203

13. How easy or difficult have you found it to submit your most recent claims?	Response %	Response count
Very easy	2.5	5
Fairly easy	40.4	82
Fairly difficult	40.4	82
Very difficult	12.8	26
No opinion	3.9	8
answered question		203

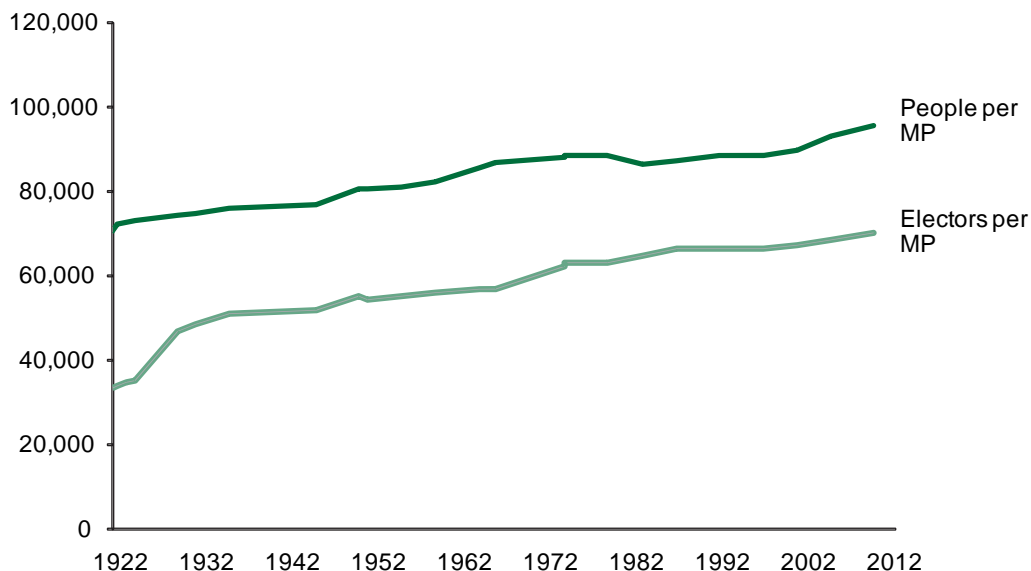
14. In the last 6 months, have there been items of expenditure (for accommodation, utility bills, travel, subsistence, refreshments for constituents, office and staff costs etc) for which you have not claimed even though you were entitled to reimbursement?	Response %	Response count
No, I've claimed for everything for which I am entitled to reimbursement	7.4	15
Yes, totalling less than £1,000	55.7	113
Yes, totalling between £1,000 and £5,000	26.1	53
Yes, totalling over £5,000	10.8	22
answered question		203

15. What are your main reasons for not submitting legitimate claims? (rate the importance of each reason)	Very important	Quite important	Not very important	Not applicable, I submit all legitimate claims	Rating average	Response count
It takes too much time	34.4% (63)	43.7% (80)	15.8% (29)	6.0% (11)	1.93	183
The submission system is too complicated	32.8% (59)	43.9% (79)	18.3% (33)	5.0% (9)	1.96	180
IPSA won't pre-approve claims	26.8% (44)	28.0% (46)	37.2% (61)	7.9% (13)	2.26	164
I want to protect my reputation by avoiding media coverage	56.4% (101)	25.7% (46)	10.6% (19)	7.3% (13)	1.69	179
It's not worth the trouble submitting small claims	42.8% (80)	40.1% (75)	11.2% (21)	5.9% (11)	1.80	187
answered question						198

Annex 2

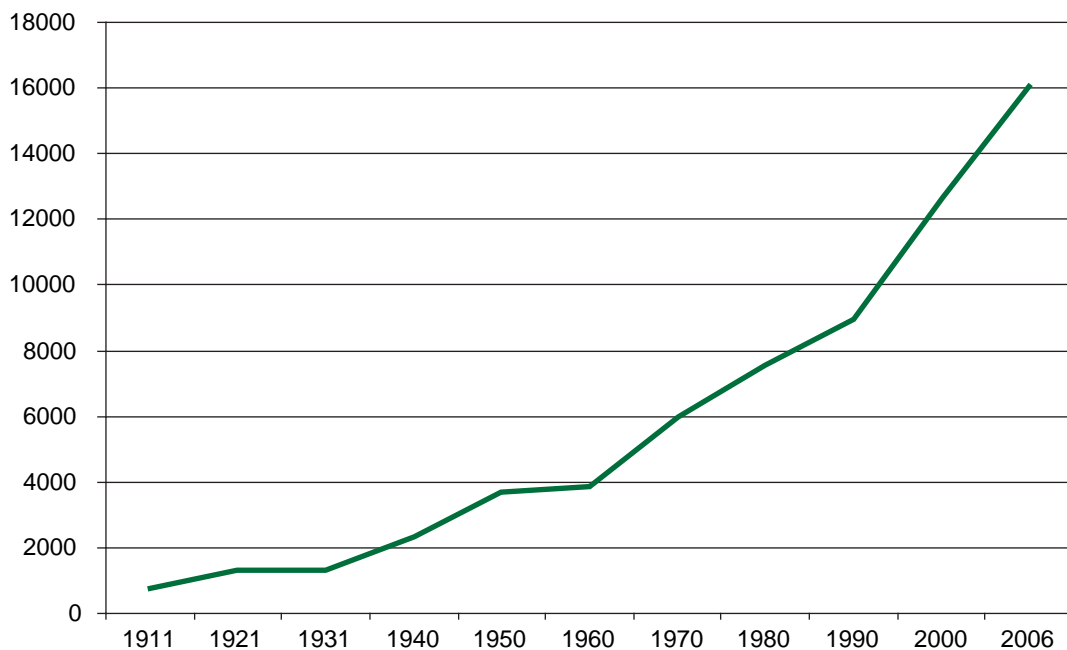
Statistical information on the workload of MPs

Number of electors/people per MP 1922–2010



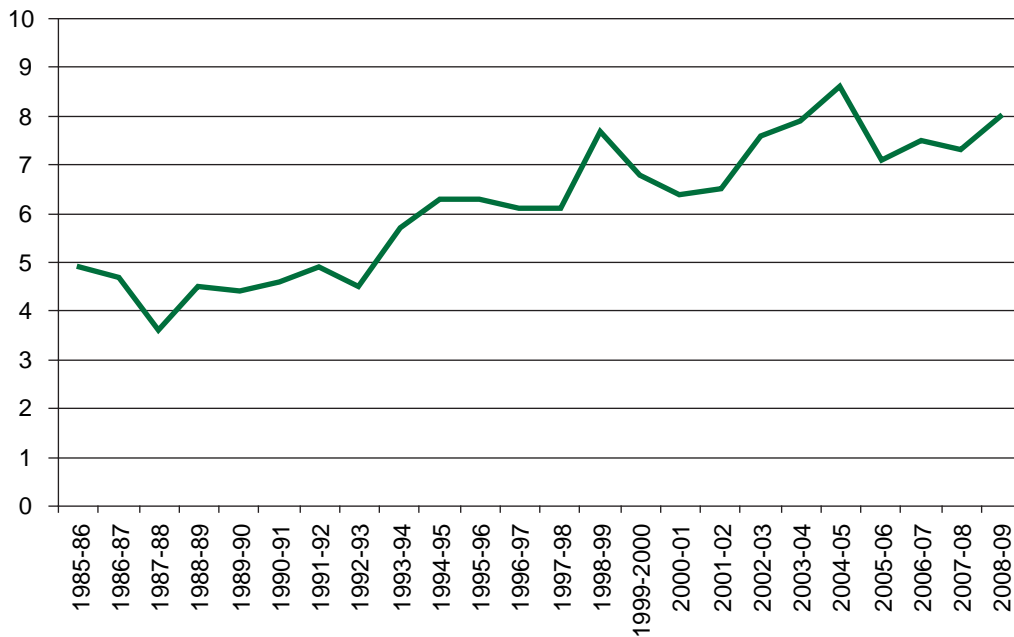
Source: Railings and Thrasher, *British Electoral Facts: 1832–2006* (2007), pp 88–92.
 House of Commons Library data.
 Office for National Statistics population data.
 B R Mitchell, *British Historical Statistics* (1988), pp 13–14.

Pages of legislation (Public and General Acts and Statutory Instruments)



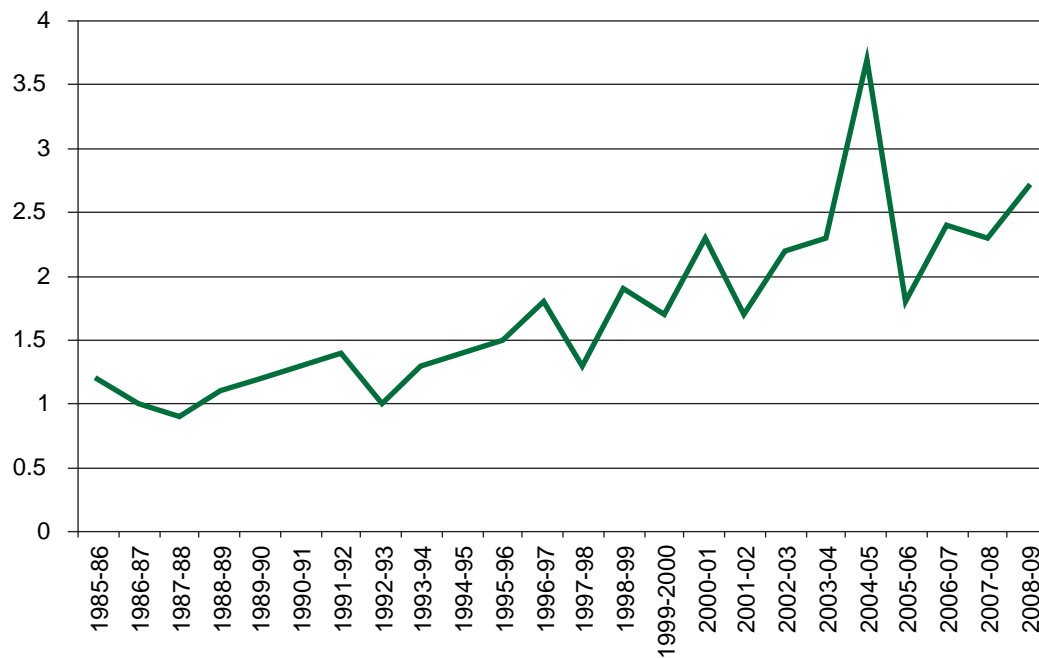
Source: *Parliamentary Trends: Statistics about Parliament*, House of Commons Library Research Paper 09/69, 12 August 2009, Table 2.

Select Committee meetings per sitting day



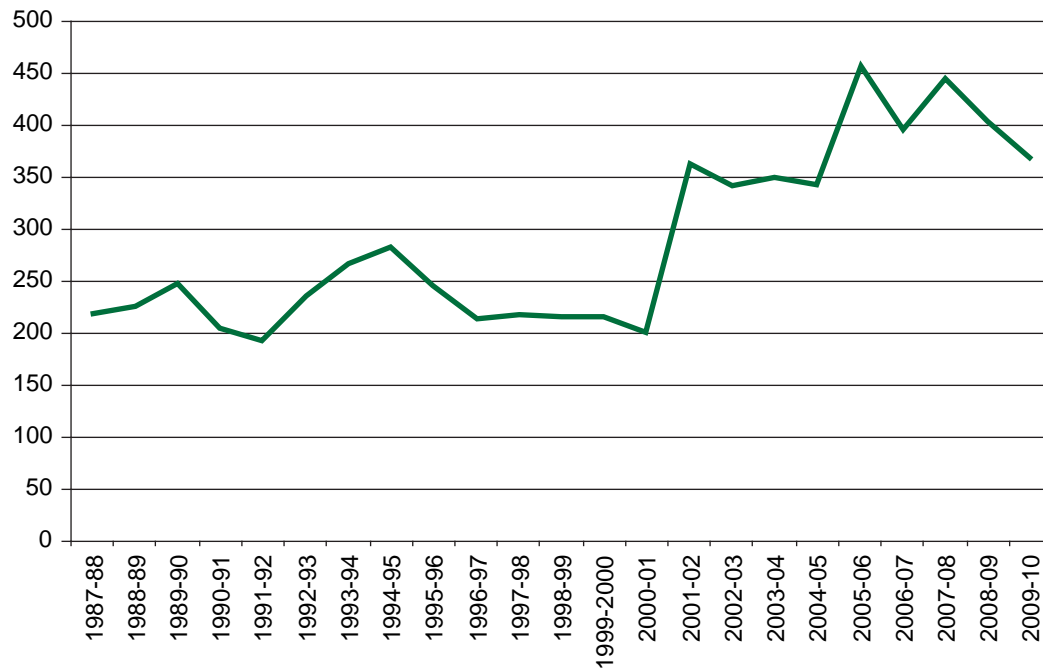
Liaison Committee, Second Report of 2009–10, HC 426, The Work of Committees in 2008–09; First Report of 2008–09, HC 291, The Work of Committees in 2007–08; and Sessional Returns for 1985–86 to 1996–97.

Select Committee reports per sitting day



Liaison Committee, Second Report of Session 2009–10, HC 426, The Work of Committees in 2008–09; First Report of Session 2008–09, HC 291, The Work of Committees in 2007–08; and Sessional Returns for 1985–86 to 1996–97.

Written Parliamentary Questions per sitting day



Parliamentary Trends: Statistics about Parliament, House of Commons Library Research Paper 09/69, 12 August 2009, Table 2; and Sessional Returns for 1987-88 to 1989-90.

Formal Minutes

Tuesday 6 December 2011

Members present:

Adam Afriyie, in the Chair

Guto Bebb
Cathy Jamieson

Mr Edward Leigh
Stephen Williams

Draft Report (*The Operation of the Parliamentary Standards Act 2009*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 205 read and agreed to.

Annexes 1 and 2 agreed to.

Resolved, That the Report be the First Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Written evidence was ordered to be reported to the House for printing with the Report, together with written evidence reported and ordered to be published on 18 and 25 October.

Witnesses

Tuesday 13 September 2011	<i>Page</i>
Professor Sir Ian Kennedy and John Sills, IPSA	Ev 1
Tuesday 11 October 2011	
Dr Ira Madan	Ev 15
Rt Hon Peter Riddell and Matthew Parris	Ev 17
Tuesday 18 October 2011	
Dr Fiona Alexander	Ev 26
Martyn Taylor, IPSA	Ev 28
Sir Christopher Kelly, Committee on Standards in Public Life	Ev 32
Tuesday 25 October 2011	
Hugh Thomas	Ev 39
Dr Ruth Fox and Matt Korris, Hansard Society	Ev 42
Sir Ian Kennedy, Andrew McDonald and John Sills, IPSA	Ev 47
Thursday 27 October 2011	
Dave Hartnett and Mary Aiston, HMRC	Ev 54
Thursday 3 November 2011	
Luke March	Ev 58
Lauren Edwards and Max Freedman, Unite Parliamentary Staff Branch	Ev 63
Sian Norris-Copson and Lisa Townsend, Members' and Peers' Staff Association (MAPSA)	Ev 67

List of written evidence

1	Independent Parliamentary Standards Authority (IPSA)	Ev 72:Ev 86:Ev 108
2	Dr Ira Madan	Ev 87
3	Rt Hon Peter Riddell	Ev 88
4	Dr Fiona Alexander	Ev 89
5	Martyn Taylor, IPSA	Ev 89
6	Committee on Standards in Public Life	Ev 95

7	Mr Hugh V Thomas	Ev 96
8	Hansard Society	Ev 100
9	Dave Hartnett CB, HM Revenue & Customs	Ev 104:Ev 109
10	Unite Parliamentary Staff Branch	Ev 106
11	Members' and Peers' Staff Association (MAPSA)	Ev 107
12	Clerk of the House	Ev 110
13	Barry K Winetrobe, Parliamentary & Constitutional Consultant	Ev 111
14	Dr Paul Seaward	Ev 113
15	Michael Rush, University of Exeter and Philip Giddings, University of Reading	Ev 123
16	Archbishops' Council	Ev 127
17	Chartered Institute of Taxation	Ev 131
18	Bill Cockburn CBE TD, Senior Salaries Review Board (SSRB)	Ev 138
19	Comptroller and Auditor General, National Audit Office	Ev 140