



House of Commons  
Committee on Standards

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# Response to the IPSA Consultation: Review of the MPs' Scheme of Business Costs and Expenses

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**Ninth Report of Session 2013–14**

*Report, together with formal minutes*

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## The Committee on Standards

The Committee on Standards is appointed by the House of Commons to oversee the work of the Parliamentary Commissioner for Standards; to examine the arrangements proposed by the Commissioner for the compilation, maintenance and accessibility of the Register of Members' Interests and any other registers of interest established by the House; to review from time to time the form and content of those registers; to consider any specific complaints made in relation to the registering or declaring of interests referred to it by the Commissioner; to consider any matter relating to the conduct of Members, including specific complaints in relation to alleged breaches in the Code of Conduct which have been drawn to the Committee's attention by the Commissioner; and to recommend any modifications to the Code of Conduct as may from time to time appear to be necessary.

### Current membership

Rt Hon Kevin Barron MP (*Labour, Rother Valley*) (Chair)  
Sir Paul Beresford MP (*Conservative, Mole Valley*)  
Mr Robert Buckland MP (*Conservative, South Swindon*)  
Rt Hon Tom Clarke MP (*Labour, Coatbridge, Chryston and Bellshill*)  
Mr Christopher Chope MP (*Conservative, Christchurch*)  
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Fiona O'Donnell MP (*Labour, East Lothian*)  
Mr Walter Rader (*Lay Member*)  
Heather Wheeler MP (*Conservative, South Derbyshire*)  
Dr Alan Whitehead MP (*Labour, Southampton Test*)

The following were also Members of the Committee during the Parliament:  
Annette Brooke MP (*Liberal Democrat, Mid Dorset and North Poole*)

### Powers

The constitution and powers of the Committee are set out in Standing Order No. 149. In particular, the Committee has power to order the attendance of any Member of Parliament before the committee and to require that specific documents or records in the possession of a Member relating to its inquiries, or to the inquiries of the Commissioner, be laid before the Committee. The Committee has power to refuse to allow its public proceedings to be broadcast. The Law Officers, if they are Members of Parliament, may attend and take part in the Committee's proceedings, but may not vote.

### Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at: [www.parliament.uk/standards](http://www.parliament.uk/standards).

### Committee staff

The current staff of the Committee are Eve Samson (Clerk), Danielle Nash (Second Clerk) and Miss Christine McGrane (Committee Assistant).

### Contacts

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# Contents

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<b>Report</b>	<i>Page</i>
<b>Report</b>	<b>3</b>
<b>Annex: Response to the IPSA Consultation: Review of the MPs' Scheme of Business Costs and Expenses</b>	<b>4</b>
<b>Formal Minutes</b>	<b>12</b>

# Report

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1. The Independent Parliamentary Standards Authority (IPSA) published a consultation, *Review of the MPs' Scheme of Business Costs and Expenses*, in November 2013.<sup>1</sup> The Speaker of the House of Commons under Section 5 (4)(d) of the Parliamentary Standards Act 2009<sup>2</sup> has nominated the Committee on Standards as a statutory consultee on changes to the Scheme relating to expenses and allowances. Our response is annexed to this Report.
2. This Report is made solely to inform Members of these matters. It does not require any action by the House.

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1 Independent Parliamentary Standards Authority, *Review of the MPs' Scheme of Business Costs and Expenses*, November 2013, [www.parliamentarystandards.org.uk](http://www.parliamentarystandards.org.uk)

2 Parliamentary Standards Act 2009, Section 5 (4) (d)

## Annex: Response to the IPSA Consultation: Review of the MPs' Scheme of Business Costs and Expenses

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The Committee on Standards has considered the Review of the MPs' Scheme of Business Costs and Expenses. Many of the proposals merely propose technical changes and we have no difficulty in supporting these. Such changes include:

- adding a reference to the Personal Independence Payment (PIP) to the definition of Members' caring responsibilities;
- increasing the flexibility in the budgets that can be used for claims relating to staff training and employment practice liability insurance;
- clarifying the rules that overnight hotel claims made by Members' staff should relate directly to a claimable journey; and
- allowing Members standing down at an election to claim an additional return journey to Westminster.

We invite IPSA to consider whether in future such minor changes would require full consultation.

There are some proposals where more work and development is needed, and there are others where our concerns are graver.

### Staffing Expenditure

#### *MPs' engagement with volunteers*

We agree with the Department for Business, Innovation and Skills (BIS) that internships (and volunteering opportunities) provide people with “the opportunity to gain transferable skills, experience and knowledge in a working environment”.<sup>3</sup> It is important, as the Scheme currently does, to differentiate between ‘staff’ and ‘volunteers’, and it is helpful of IPSA to offer guidance on this.

The Model Volunteer Intern Agreement,<sup>4</sup> as it is currently drafted, clearly sets out at the beginning of the engagement what both sides, the Member and the volunteer, expect of each other and what both can expect to gain from the volunteering experience.

While many of the volunteers in Members' offices are interns, as the term is currently understood, others may volunteer in much the same way as people volunteer to assist

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3 Department for Business Innovation and Skills, *Making internships work—an intern's guide*, [www.bis.gov.uk](http://www.bis.gov.uk)

4 Independent Parliamentary Standards Authority, *Model Volunteer Intern Agreement*, [www.parliamentarystandards.org.uk](http://www.parliamentarystandards.org.uk)

charities or good causes. Sometimes the work undertaken is political, but such volunteers may also assist Members in their parliamentary duties. It is reasonable for them to recoup expenses incurred in this. Engagement in such activity should not be prevented by IPSA rules, and any guidance IPSA offers should respect the fact that it is up to individual Members to decide how best to staff their offices within the budgets provided.

We do not consider there should be a time limit on the engagement of a volunteer. As we have noted, not all volunteers are interns. Even when interns are involved, we note the *Common Best Practice Code for High-Quality Internships* states that “the duration of high-quality internships can vary from at least six weeks to longer than 12 months”.<sup>5</sup>

IPSA might wish to revisit the guidance it gives on internships. We are confident that if it does so it will respect the fact that the primary relationship is between the Member as employer and the intern involved.

### **Reward and Recognition payments for MPs' staff**

We note that IPSA has prohibited bonuses, and that even modest reward and recognition payments are prohibited if staff are related to the Member concerned. We also note that rewards, recognition payments and bonuses still exist within the public sector and in the private sector. We have no wish to return to a system in which large bonuses were acceptable and we agree that reward and recognition payments should not be automatic. We think that the modest reward and recognition payments allowed by IPSA are appropriate.

We would caution against IPSA becoming too closely involved in the relationship between a Member and his or her staff. For that reason, while we would have no difficulty with a cap on the total amount a Member could spend on reward and recognition during a year, we do not believe IPSA should be attempting to limit payments to individual staff or specifying that such payments should be in a particular form. An office manager who has kept an office running during a year when other staff have been temporary or have moved on may deserve several recognition payments. It is unhelpful to all parties if in such circumstances a Member is forced to explain that IPSA permits only a limited number of awards.

As the consultation shows, at present, such reward and recognition payments are used by a very small number of MPs; there were 19 Members who used such payments last financial year and 12 who have used them in the first six months of this financial year.<sup>6</sup> Nonetheless, average payments have increased from an average of £269 for the 2012/13 financial year to £315 for the first six months of the 2013/14 financial year, marking an increase of just over 17 per cent. In guidance for Members IPSA states that “the amount paid is left to your discretion, but should be modest”.<sup>7</sup> It may be advisable to make it explicit that such

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5 Gateways to the Professions collaborative Forum, *Common Best Practice Code for High-Quality Internships*, September 2013, p 9

6 Independent Parliamentary Standards Authority, *Review of the MPs' Scheme of Business Costs and Expenses: Consultation*, November 2013, Annex B, pp 28 and 31

7 Independent Parliamentary Standards Authority, *Guidance for MPs' Business Cost and Expenses: A day-to-day guide for MPs and their staff on managing budgets and employing staff, what to claim and how to claim*, October 2012, [www.parliamentarystandards.org.uk](http://www.parliamentarystandards.org.uk)

payments should only be made when a member of staff has genuinely carried out more than the routine tasks expected of them, but we do not support IPSA's proposal to restrict such payments to gifts and vouchers, nor do we think that an arbitrary limit of £50 should be set.

### **Measures for staying within the Staffing Expenditure budget limit**

We do not support the suggestion that IPSA might prevent Members engaging new staff, changing existing staff's pay and conditions or limiting Members' overtime budgets if it appears likely that there would be a budget overspend. We consider that IPSA's provision of expenditure forecasts is helpful, and it would also be helpful if IPSA could promptly alert Members if a staffing change could lead to them having a budget overspend. To go further than that would be to oblige Members to account to IPSA for the detailed management of their offices. Apart from being inappropriate, this would put a burden on both parties. A Member may make a particular appointment knowing that a staff member will move on within six months, for example. Furthermore, Members may choose to employ staff even though to do so will mean the IPSA budget is exceeded. If they do so, they can meet the extra costs out of their own pocket, as many do. Alternatively they may raise external support which, if significant, will have to be entered in the *Register of Members' Financial Interests*.

### **Pension providers for MPs' staff**

As we understand that even after the proposed change is made, IPSA will be providing more flexibility for MPs' staff than was the case when these matters were administered by the House, we have no objections to the proposal to limit the range of pension providers to those already in place.

## **Winding-up and Resettlement Payments**

### **Resettlement for defeated MPs**

The Committee on Standards and Privileges has already expressed concerns about IPSA's proposals to limit resettlement payments to Members who are defeated at the election and to exclude those Members who retire and those who stand down. It considered that limiting payments to defeated Members ran the risk of providing, "a perverse incentive for MPs to remain in office longer than is desirable"<sup>8</sup> and that the proposal "takes no account of Members' length of service or objective needs".<sup>9</sup> The Committee on Standards in Public Life also considered that:

an MP's job does not end on the day they leave office – live casework needs passing on to successors, other case files need to be safely stored or disposed of as offices are cleared out, and staff must be made redundant and supported in finding new jobs.

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8 Committee on Standards and Privileges, *Response to IPSA Annual Review of the MPs' Scheme of Expenses and Costs*, Session 2010–12, January 2012, para 27

9 *Ibid.*, para 28

Former MPs do not receive any salary for doing this work. The resettlement grant provides some compensation.<sup>10</sup>

We echo these views and believe that the diversity of those willing to stand for election may be reduced if it is clear there will be no financial stability when they decide that the time is right to stand down. Moreover, we agree with the Committee on Standards and Privileges that:

It is important that MPs are able to focus fully upon working for their constituents up until the dissolution of Parliament. Finding alternative employment may be more likely to be a problem for those MPs who choose not to take on outside interests while serving their constituents.<sup>11</sup>

### **Resettlement payments for MEPs**

IPSA's proposals on resettlement grants for MEPs appear reasonable, given that it has a statutory duty to provide such allowances whether or not an MEP stands for re-election. We note the statutory requirement for resettlement payments for MEPs to be given irrespective of whether or not the MEP is standing for re-election, and for any scheme to be as nearly equivalent to the provision made by the scheme for MPs as IPSA considers practicable.<sup>12</sup> This might suggest an expectation that MPs would also have some resettlement payments.

### **Wind-up period for MPs**

We support IPSA's proposal to "harmonise the rules" so that Members who leave Parliament, for whatever reason, can claim for any costs incurred in winding up their parliamentary function for up to two months.

## **Travel and Subsistence**

### **Overnight hotel claim limits for MPs working late**

We are content with the proposal to be explicit that claims for hotel costs over £150 made because MPs have worked late on parliamentary business should meet the same conditions as claims within the normal limit.

We agree with IPSA that more detailed and specific guidance is needed. The Fifth Edition of the *MPs' Scheme of Business Costs and Expenses* states that:

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10 Committee on Standards in Public Life, *Twelfth Report: MPs' expenses and allowances: Supporting Parliament, safeguarding the taxpayer*, Cm7724, November 2009, para 10.17

11 Committee on Standards in Public Life, *Twelfth Report: MPs' expenses and allowances: Supporting Parliament, safeguarding the taxpayer*, Cm 7724, November 2009, para 10.16, quoted in Committee on Standards and Privileges, *Response to IPSA Annual Review of the MPs' Scheme of Expenses and Costs, Session 2010–12*, January 2012, [www.parliament.uk/sandp](http://www.parliament.uk/sandp)

12 Constitutional Reform and Governance Act 2010, section 39

If in exceptional circumstances an MP is unable to find a hotel for £150 or less, he or she may submit a claim for the total cost, providing they have evidence which shows why it was not possible to find a hotel within the budget.<sup>13</sup>

This guidance is insufficient. It leaves Members with an uncertainty over whether they will be reimbursed for the claims that they have incurred in fulfilling their parliamentary duty. It puts further pressure on Members to find not only a hotel, but proof that this was the most reasonable price available, late at night, when they are likely to begin work early the next morning.

It is important that IPSA take into consideration the sitting times of committees, as well as of the House, and bears in mind that parliamentary business may be transacted when the House is not sitting.

## Miscellaneous Expenditure and Financial Assistance

### *Advance loans for Members*

As the Administration Committee noted “most new MPs [have] given up previous employment or taken leave for the period of the campaign, leaving them without earnings in the weeks before arriving at Westminster”.<sup>14</sup> It is entirely inappropriate that newly elected Members should in addition be expected to support their parliamentary duties from their own resources until IPSA arrangements can be made. We are extremely pleased that IPSA has also recognised this, and taken steps to provide better support for newly returned Members. In evidence to the Administration Committee IPSA said it had:

introduced a range of improvements to help MPs with both cash flow and information. These have included the introduction of direct payments to a number of suppliers, the extension of the payment card to a wider range of expenses and the introduction of advances to help with cash flow, as well as improved online guidance and a more effective approach to induction.<sup>15</sup>

We commend IPSA on the introduction of the £6,000 start-up budget, introduced in 2011, which will be made available to all new Members in their first year as a Member.

At the last election the majority of Members claimed an advance loan, and most of those claimed the full £4,000.<sup>16</sup> This implies that Members required such loans to provide them with the necessary cashflow. If the new support arrangements are adequate, fewer loans will be needed. Although we hope that this extra support will remove the need for advance payments, given the variety of circumstances facing new Members, we consider it is appropriate for IPSA to continue to provide such advances.

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13 Independent Parliamentary Standards Authority, *Annual Review of the MPs' Scheme of Business Costs and Expenses* (including Fifth Edition of the Scheme), HC 1032, March 2013, para 9.40

14 Administration Committee, First Report of Session 2013–14, *First weeks at Westminster: induction arrangements for new MPs in 2015*, HC 193, para 34

15 *Ibid.*, Ev 35

16 Figures from IPSA indicate that the vast majority of advance loans which have been issued have been towards the £4,000 mark, with the mean loan totalling £3504.56.

We also suggest that IPSA considers producing an outline of the costs that a Member can expect to incur when they first come to the House and on an annual basis thereafter, and from which budgets these funds should be drawn. This would help Members when planning their budgets and would help to minimise the risk of Members having budget overspends.

### ***Recall travel for Members and their spouses and dependents***

We fully endorse IPSA's proposal that Members should be allowed to claim for travel in a recall for both their dependents and their spouses. As IPSA notes, this merely requires a minor clarification to the wording of the current rules.

We understand the House's own insurance policy on official travel by Members on parliamentary business covers return to the UK in the event of a recall. There are wider policy questions about whether IPSA should contribute towards the cost of the House's insurance policy, or whether recall expenditure could be economically recovered in another way. We believe that any decisions on this should take into account the ultimate impact on the public purse, rather than being driven by organisational boundaries.

We agree that the costs incurred in returning to Westminster in the event of a recall should be kept to what is reasonable. The general Scheme condition that travel should cost no more than economy tickets is a good guideline. However, in the event of recall Members may find themselves having to make arrangements at short notice with limited flexibility. IPSA might consider suggesting that Members use the House of Commons travel office in cases where there are no readily available routes back, so that it can be confident that the arrangements are the most suitable which can be secured.

While we would support measures which encouraged arrangements being made in the most cost-effective way, we consider IPSA's proposals on rules for return in the event of recall are inappropriately inflexible. Since IPSA can presumably recover most of the cost of such travel from the insurance scheme, we do not see why it should be prescriptive about matters such as class of travel. We are particularly concerned about the imposition of a limit on costs of £3,750. This appears to be linked to the limit within the House's insurance policy. Limits on insurance are based on an assessment of how much cost it is reasonable to incur to mitigate particular risks. They are not based on an assessment of what is the maximum cost which should be reclaimable by a particular individual in particular circumstances. If IPSA considers expenditure has been *necessarily* incurred, it should permit that expenditure in all cases. Members should not be left in a position where they have to carry the unavoidable costs of a return in the event of a recall.

## **Other Matters**

### ***Referendum-related spending***

We note that IPSA is considering whether MPs should be allowed to make, or prevented from making, claims in relation to the Scottish Independence Referendum, and in particular, using taxpayer funds for producing publications, including websites, which express views on the referendum.

We appreciate that this is a difficult issue. On the one hand, the rules are designed to prevent public funds being used on party political campaigning; on the other, political parties are intrinsic to the way our democracy works. Constituents expect to be told where a Member stands on important issues, whether or not such issues are a source of political controversy.

The Scottish Referendum is a matter which goes beyond normal party political campaigns, and which would affect all the constituent parts of what is currently the United Kingdom. There is no public funding for either campaign, although the Scottish Government itself has produced the White Paper setting out the case for independence.<sup>17</sup> In these circumstances while we agree it would be wrong to allow the use of significant funds from the taxpayer to produce campaigning material, such as leaflets or circulars, we consider it would be equally wrong to prohibit Members from expressing their views on a matter of such importance through their websites, where the cost to the public would be negligible.

The consultation does not raise matters such as extended travel. Here, too, we note the need for proportionality. We would not expect IPSA to change existing rules on extended travel because of the referendum. So, for example, the rules allow travel on matters currently before select committees on which a Member serves. Many committees have conducted inquiries related to the referendum, and travel in such cases should continue to be permitted.

### ***International assemblies***

We note that the current rules consider that work relating to an international assembly is not parliamentary business. We do not understand the rationale for this. Only those who are Members of Parliament can be members of the delegations to international assemblies. Such assemblies are forums in which the *Parliaments* of the participating countries are represented. It is reasonable for IPSA to expect each House of Parliament to pay travel and subsistence costs for attendance at such assemblies, but it is not reasonable for it to declare that such participation is not parliamentary business. A Member who asks his or her staff to prepare briefing or a speech for an international assembly is doing so to support parliamentary business, and there should be no inhibition of such support.

### ***Impact of changes on equality and diversity***

We welcome the fact that IPSA is concerned to ensure that the Scheme does not unduly deter representation from all sections of society, and we share that concern. IPSA should ensure that its rules do not deter those without independent financial resources. It should also ensure that its rules do not have the unintended consequence of forcing Members into dangerously stressful working and travel arrangements.

### ***Budget levels***

As mentioned in earlier sections of this response (notably advance loans for Members and the equality and diversity implications) it is important that all Members are supported

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<sup>17</sup> Scottish Government, *Scotland's Future: Your Guide to an Independent Scotland*, November 2013

sufficiently to fulfil their parliamentary duties. It is encouraging that IPSA made a substantial increase to Members' staffing expenditure budgets a few years ago.

We encourage IPSA to look particularly closely at the support available to MPs for constituencies in the London area (which goes further than central London). We expressed our concerns about the impact of proposed changes on hotel bookings on this group in our response to the consultation on MPs' pay and pensions.<sup>18</sup> We continue to have concerns about the arrangements for hotels for those Members who do not have central London accommodation, and who have Parliamentary business until late in the night. This problem is particularly likely to affect MPs in the London area, particularly those serving constituencies outside central London.

As a result of those concerns we considered it was appropriate to discuss informally the support available for London area Members with those serving such constituencies. Those who responded shared our concerns, and raised other issues:

- many London constituencies serve a particularly difficult and demanding group, with an ethnically diverse population;
- that the staffing budget does not adequately reflect the extra cost of employing staff in the London area; and
- the combination of late nights and early starts meant that if Members returned to their constituencies they would have only a few hours for sleep.

These were problems reported to us. We are aware that some Members are funding their own central London accommodation to avoid such problems.

We urge IPSA to look carefully at the regime for London area MPs as we believe there may be some adjustment needed. We consider that although some rough justice is inevitable, the Scheme should operate in a way which does not unduly disadvantage those from a particular geographical area. We note the consultation itself acknowledges that London MPs in particular are operating close to their staffing budgets, and we are aware that some London MPs are subsidising staff costs from the LALP.

In conclusion we welcome IPSA's intention that there should be no further comprehensive review of the Scheme between now and the General Election. While we consider that it was appropriate that the Scheme be reviewed regularly as the new organisation developed its policy, over-frequent review can place disproportionate burdens on both the organisation itself, and on consultees. Frequent changes to the rules themselves (as opposed to the rates at which support is available) can cause confusion and difficulties in compliance. We agree it is appropriate that there should now be a degree of stability.

# Formal Minutes

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**Tuesday 14 January 2014**

Members present:

Kevin Barron, in the Chair

Sir Paul Beresford

Mr Robert Buckland

Mr Tom Clarke

Mr Christopher Chope

Sharon Darcy

Sir Nick Harvey

Mr Peter Jinman

Mr Walter Rader

Heather Wheeler

Draft Report (*Response to the IPSA Consultation: Review of the MPs' Scheme of Business Costs and Expenses*), proposed by the Chair, brought up and read.

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

Paragraphs 1 and 2 read and agreed to.

Annex agreed to.

*Resolved*, That the Report be the Ninth Report of the Committee to the House.

None of the lay members present wished to submit an opinion on the Report (Standing Order No. 149 (9)).

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

[Adjourned till a date and time to be fixed by the Chair]