

## Committee on Standards

### Response to IPSA's Consultation on the MPs' Scheme of Business Costs and Expenses

The Committee on Standards has been nominated by the Speaker, in accordance with section 5(4)(d) of the Parliamentary Standards Act 2009, as a statutory consultee for the IPSA annual review of the MPs' Scheme of Business Costs and Expenses.

We have not dealt with each question in the consultation but have addressed matters where we consider IPSA's proposals may have implications for standards in the House, although we have also raised the matter of security in light of heightened concerns about Members' safety.

We hope our comments assist your work. In the interest of transparency, the Committee will be making this response public.

#### 1. Fundamental Principles of the Scheme

##### *Simplification*

We welcome the proposed simplification of IPSA's Fundamental Principles to the MPs' Scheme of Business Costs and Expenses. In the context of the Parliamentary Commissioner of Standards' review into the MPs' Code of Conduct and Guide to the Rules, the Committee has heard evidence that codes of conducts are best implemented when they are simple and user-friendly.<sup>1</sup> The Fundamental Principles must be easily understandable by Members as well as by Members' staff to ensure increased understanding of, and compliance with, the Scheme.

While we believe that the revised Fundamental Principles will succeed in addressing IPSA's concerns, we support IPSA's commitment to evaluate whether the revised principles, if adopted, do improve understanding among Members and their staff.<sup>2</sup>

##### *Relationship with the MPs' Code of Conduct*

The Committee is broadly supportive of the content and focus of IPSA's revised Fundamental Principles. However, while the Committee agrees with comments made by John Sills, made to the Committee in July, that IPSA and the House's standards system should "complement each other", we do not consider that IPSA should refer to matters outside of its remit of administering the MPs' Scheme of Business Costs and Expenses.<sup>3</sup> Draft Fundamental Principle 5 states that:

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<sup>1</sup> [Oral evidence taken before the Committee on 19 April 2016](#)

<sup>2</sup> Q3

<sup>3</sup> Q5

5. *In financial matters, as well as in other aspects of their work, MPs should adhere to the seven principles of public life.*

We consider that the phrase underlined should be removed.

Additionally, we would support amending draft Principle 5 to make reference to the MPs' Code of Conduct rather than the Seven Principles of Public Life. The Committee does not intend to anticipate the results of the Commissioner's review but she has indicated that she is considering re-defining the Seven Principles to make them more applicable to the work of MPs. The Committee heard evidence in April from Philippa Foster Back (Institute of Business Ethics) who advised that understanding of the Seven Principles of Public Life is best ensured among target groups when they are adapted to specific business circumstances.<sup>4</sup> We believe that better alignment of IPSA's Fundamental Principles with the MPs' Code of Conduct would increase ease of use and understanding as well as public perception.

### **Status of MPs**

Draft Fundamental Principle 3 maintains the concept that in matters relating to the Scheme, Members, where possible, should be treated in the same manner as other citizens. As IPSA acknowledged in July, we note that determining the practicalities of this Principle is a complex issue.<sup>5</sup> There is a balance to be found between treating MPs in a manner comparable to similar professionals and recognising the uniqueness of an MP's role.

The Committee on Standards has previously expressed concerns that this balance has not always been struck.<sup>6</sup> Nevertheless, successful and consistent administration of this principle is essential to building trust in IPSA among both Members and the public. The Committee welcomes Marcial Boo's commitment to discussing with IPSA's board how IPSA can better recognise the role of MPs and the demands placed on them.<sup>7</sup>

The Committee believes it would be helpful for IPSA to make clearer comparisons with the expenses policies of similar professionals or small businesses when proposing changes to the Scheme. By subsequently explaining when and why a different approach is required, we consider that IPSA would improve understanding of the Scheme and its Fundamental Principles. The Committee would particularly support efforts to clarify the necessity of MPs having two places of work.

## **2. Working from two fixed locations: MPs' accommodation costs**

Any viable alternatives to the current arrangements for funding MPs' accommodation must offer value for money and allow Members to adequately conduct their work. IPSA's consultation paper identifies a range of alternative options: allowing MPs to rent serviced accommodation that requires them to move out during the summer recess; reducing MPs' accommodation budget to reflect the number of

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<sup>4</sup> Q46, [Oral evidence taken before the Committee on 19 April 2016](#)

<sup>5</sup> Q9

<sup>6</sup> Q9; [Second Report of Session 2013-14 \(HC 751\)](#)

<sup>7</sup> Q10

days or weeks that Parliament sits; reducing the budget in line with typical zone 3 rental costs; and funding hotel accommodation only.

Members conduct parliamentary work throughout the year in Westminster and the Committee believe that making accommodation provisions based on sitting times would misleadingly suggest that MPs do not conduct parliamentary business during recesses and does not reflect the reality of the amount of time MPs must spend in Westminster. Notwithstanding this fact, we would be surprised that options such as funding hotel accommodation would offer value for money given that the House sat for 158 days in Session 2015-16. Similarly, we are unconvinced of the feasibility of finding serviced accommodation which requires Members to move out during the summer recess and which offers value for money. We would welcome further clarification on why IPSA has identified typical zone 3 rental costs as a level to which the accommodation budget could be reduced.

Turning to the consultation's discussion of whether Members should be able to claim associated costs on properties they own, the Committee supports maintaining the current provisions. HMRC advises self-employed people, who work at home, that they are able to claim expenses for a proportion of their costs for utilities, Council Tax, mortgage interest and internet and telephone use. There is no limit to the amount that can be claimed as long as they are genuine costs which can be divided between personal and business purpose e.g. by the number of rooms used for business purposes or the hours spent working from home.<sup>8</sup> HMRC also operates a simplified expenses policy where, if you live at your business premises, you can claim a flat rate per month instead of working out the split between personal and business use. The flat rate is £350 per month, based on one person, £500 for two people and £650 for more than three people. Over a year, based on one person only, the total is £4,200 which is broadly equivalent to the average claimed by MPs.

### 3. The Scheme during and following dissolution

#### ***Resettlement payments***

The Committee supports changes to the timing of loss-of-office payments made to Members. We acknowledge that paying the loss-of-office payment after a Member has wound up their office provides an incentive for swift action. However, we share concerns with IPSA that "in a few cases there were some MPs [after the 2015 General Election] who stopped receiving their salary, still needed to do some work and still had outgoings that they needed to pay for, and it was a bit difficult for them"<sup>9</sup> and that "some MPs actually experience financial hardship."<sup>10</sup> We would support proposals to pay part of the loss-of-office payment immediately upon loss of seat with the remainder payable once the Member has wound up their parliamentary affairs.

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<sup>8</sup> <https://www.gov.uk/expenses-if-youre-self-employed/overview>

<sup>9</sup> Q20

<sup>10</sup> Q20

The process for winding-up affairs could be further accelerated by IPSA automatically deducting any remaining costs from the loss-of-office payments. This would reduce IPSA's recovery costs which Marcial Boo acknowledged were "time-consuming."<sup>11</sup>

### ***Staff redundancy payments***

The consultation raises the issue of redundancy payments to Members' staff following general elections, and asks how IPSA should address concerns about value for money. The Committee notes that some MPs' staff, who were made redundant following the non-return of their MP and thus received double statutory redundancy payments, were re-employed by a different MP within 10 weeks of the election. However, each MP is an individual employer and therefore, Members' staff are legally entitled to redundancy pay. IPSA would have to change this central tenet of Members' staff employment practices if it were to remove redundancy payments to MPs' staff.

## **4. The boundary between parliamentary and party political activity**

### ***Pooled research services***

IPSA's consultation paper raises questions over whether pooled research services, which are exclusively subscribed to by MPs of a single political party, solely act in support of MPs' parliamentary duties and whether they should continue to be funded by IPSA who are legally only allowed to fund parliamentary activity.

The Committee supports maintaining the current funding arrangements. IPSA conducted an internal review in 2014 which found that "in broad measure, everything is done very appropriately and those pooled services do not stray into political territory."<sup>12</sup> We are confident of IPSA's findings and believe that funding pooled research services this way offers significant value for money. The total cost to IPSA of such services in Session 2014-15 was £1,187,927, which breaks down to £3,453.28 per MP who uses the service, considerably less than the cost of an individual researcher.<sup>13</sup>

### ***Definitions of parliamentary and party political activity***

As the consultation document explores, there is a tension between parliamentary and party political activity - it asks whether IPSA should tighten its rules on what they consider to be parliamentary for funding purposes. The Committee considers that changes to the rules would be unnecessary in light of IPSA's conclusions that "the assurance work that we [IPSA] conducted about expenditure during the general election found that there were no abuses of public money."<sup>14</sup>

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<sup>11</sup> Q20

<sup>12</sup> Q35

<sup>13</sup> [IPSA Consultation on the MPs' Scheme of Business Costs and Expenses and IPSA's publication policy](#), Annex A, Tables 3 and 4, pp. 54-56

<sup>14</sup> Q34

## 5. Security

Although the consultation does not touch on the issue of security specifically, in light of recent security concerns, the Committee would like to comment on the Scheme's security provisions in response to consultation question 29.

We welcome IPSA's efforts to improve the Scheme's security provisions. In particular, we support IPSA's efforts to streamline the application process and the appointment of a full time member of staff to deal with security requests. We note that IPSA are also prepared to retrospectively approve security funding requests if there is an urgent need to put security measures in place.<sup>15</sup>

Anecdotally, there is some discontent among Members about the time it takes to process security requests despite reassurances from IPSA that they turn around applications in an average of 3.5 days.<sup>16</sup> Nevertheless, IPSA's flexibility in responding to demands over the past few months is encouraging and we support the continued monitoring and revision of its procedures as necessary.

It is of utmost importance that Members are made fully aware of IPSA's security provisions and know who to contact if they have questions or an urgent need to install security measures

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<sup>15</sup> Q27 and Q28

<sup>16</sup> Q27 and Q28