

# Independent Parliamentary Standards Authority

## Explanatory Memorandum for 2018-19 Main Estimate

This note provides the Speaker's Committee for the IPSA (SCIPSA) with an explanation of the 2018-19 Main Estimate for the Independent Parliamentary Standards Authority, as approved by IPSA's Board on 31 January 2018. A detailed breakdown is at Annex A.

### Summary

IPSA's Estimate has two subheads. Subhead A relates to expenditure on MPs. In 2017-18, this subhead (excluding General Election costs) totalled £185.2 million. Our Estimate for MPs' costs in 2018-19 is £187.1 million. This is an increase of £1.95 million, or 1.1 per cent. This includes an increase in MPs' salaries from April 2018 of 1.8 per cent, based on figures from the Office of National Statistics on the change in public sector wages. It also includes provision for changes arising from increases to MPs' staff budgets and certain business costs, and ongoing provision for any claims by MPs for enhanced security in line with the arrangement agreed with the House of Commons.

All IPSA's running costs are covered in Subhead B. For 2018-19, our Estimate is for total administrative expenditure of £7.95 million, an increase of 13.7 per cent on our 2017-18 Estimate. This increase allows for IPSA's one-off office move at the end of our current four-year lease, and reflects a shift in IT expenditure from the capital budget following our purchase of cloud-supported software to replace existing IT hardware. IPSA's overall non-capital resource requirement is therefore increasing from £192.2 million in 2017-18 to an Estimate of £195.1 million in 2018-19, an increase of 1.5 per cent.

In order to finalise the planned improvements to IPSA's systems, we propose a 2018-19 capital Estimate of £1.3 million compared to the £2.5 million capital budget in 2017-18, a reduction of 48.6 per cent. This budget will allow for the completion of the work begun in 2016-17 on the renewal of IPSA's basic IT systems, following on from the successful construction of an improved website and online interface with MPs.

### General Election

Within the revised Estimate that we presented after the announcement of the June 2017 General Election, we included £19.1 million within Subhead A. We had budgeted on a similar level and length of service turnover as that experienced in the 2015 General Election. The provisional expenditure figures for the 2017 General Election are £6 million, although certain costs, such as start-up budgets, cannot yet be fully factored in as it is still available to some MPs to spend.

	Budget £'000	Provisional Spend £'000
<b>General Election Funding (2017-18)</b>		
<b>Subhead A</b>		
MPs' loss-of-office payments	2,640	540
Staff Redundancy and pay in lieu of notice (PILON)	7,363	2,057
Office Costs	9,063	3,100
<b>TOTAL</b>	<b>19,066</b>	<b>5,697</b>

## Estimate Structure

The Estimate is arranged as Resource Departmental Expenditure Limit (DEL), Capital DEL, Annually Managed Expenditure (AME), and cash.

The proposed Estimate for 2018-19 is as follows:

	Estimate 2017-18 £M	% of the whole	Estimate 2018-19 £M	% of the whole
<b>Resource DEL</b>				
Subhead A: MPs' pay, staffing, business costs and expenses	185.16	95	187.12	95
Subhead B: IPSA's operations	6.99	4	7.94	4
<b>TOTAL RESOURCE DEL</b>	<b>192.15</b>	<b>99</b>	<b>195.06</b>	<b>99</b>
<b>CAPITAL DEL</b>	<b>2.46</b>	<b>1</b>	<b>1.27</b>	<b>1</b>
<b>ANNUALLY MANAGED EXPENDITURE</b>	<b>0.05</b>	<b>0</b>	<b>0.05</b>	<b>0</b>
<b>TOTAL</b>	<b>194.66</b>	<b>100</b>	<b>196.38</b>	<b>100</b>

## RESOURCE DEL

### MPs' pay, staffing, and business costs and expenses (Subhead A)

Subhead A includes all expenditure on MPs' pay, business costs and expenses, and the pay and expenses of their staff.

The proposed Subhead A element of the 2017-18 Estimate is as follows:

	2017-18 £000	2018-19 £000	Change £000	% Change
<b>Subhead A</b>				
MPs' remuneration, including salaries of MPs, pay for Chairs of Standing and Select Committees, but excluding Ministerial salaries and funding for members of the Opposition front bench provided by Short Money.	56,946	58,011	1,065	1.9
Capped budgets for accommodation and office costs	22,599	23,172	573	2.5
Capped budgets for MPs' staffing	90,187	92,597	2,410	2.7
Uncapped budgets for travel and subsistence costs, disability and contingency payments	6,361	6,758	398	6.2
Security Provision	7,400	4,909	(2,491)	-33.7
Income received from the Social Mobility Foundation for internships	(165)	(183)	(18)	10.9
<b>TOTAL</b>	<b>183,330</b>	<b>185,264</b>	<b>1,935</b>	<b>1.1</b>

The changes in the individual lines within Subhead A are as follows:

- MPs' remuneration has increased by 1.8 per cent in line with changes in overall public sector earnings, according to the Office of National Statistics, and London Area Living Payment increases of 3.1 per cent in line with Consumer Price Inflation (CPI) as at November 2017.
- MPs' staffing budget has increased by £2.4 million. This change is due to two factors. First, we have uprated MPs' staffing budgets by 1.8 per cent to allow MPs to consider pay increases for their staff. And second, we have amended the overall budget slightly to reflect the fact that, during 2017-18, MPs utilised a marginally higher percentage of their staffing budgets than in 2016-17.
- The 2.5 per cent increase to MPs' capped budget for accommodation and office costs reflects (a) small increases to the accommodation budget for non-London MPs claiming for rental payments, (b) the increase to MPs' office costs budget by CPI of 3.1 per cent as at November 2017, and (c) the increase to MPs' associated costs budget by CPI of 3.1 per cent as at November 2017 (d) a marginal uplift to reflect the increased utilisation of available budget by MPs in 2017-18.
- There is also provision within Subhead A for HMRC's 0.5 per cent apprenticeship levy.
- The £4.9 million budget for MPs' security reflects the amount of security work carried out to date and projections for 2018-19. Last year's estimate included £7.4 million to enable MPs to improve security at their office, their rented accommodation and their home. We expected MPs to claim for these security costs only once in a Parliament. However, based on current uptake, we do not expect this provision to be fully used in 2017-18 (current forecast is £6 million). The provision of £4.9 million for 2018-19 is intended to cover the shortfall, as well as the higher-than-expected actual costs of MPs' security enhancements, the impact of on-going maintenance costs to security equipment, and an element to cover any tax liabilities associated with these security works. The sum required is likely to decline in future years.
- Uncapped budgets have been increased by 6.2 per cent and are based on actual 2017-18 activity, together with a proposed uplift to the hotel limits to £175 in London and £150 elsewhere in the UK.

We have also allowed for a 1 per cent contingency of £1.85 million to provide for uncertainties including any significant change in the profile of MPs' claims.

## IPSA's Operations

IPSA's core operational costs are detailed in Subhead B. This covers all aspects of IPSA's functions, including our reimbursement of MPs' claims, paying MPs and their staff, our regulatory activity, and all internal support services including IT, HR and communications. The 2018-19 Estimate for these costs is £7.95 million.

	2017-18 £000	2018-19 £000	Change £000	% Change
<b>Subhead B</b>				
Staff salaries	3,754	3,766	12	0.3%
Accommodation, Rental income	452	458	6	1.3%
Recruitment & Training, Audit, Legal	464	441	-22	-4.8%
IT	912	1,202	290	31.8%
Office running costs & Depreciation	880	679	-201	-22.9%
Consultancy, Contingency and office move	526	1,401	875	166.3%
<b>Total Subhead B</b>	<b>6,988</b>	<b>7,947</b>	<b>959</b>	<b>13.7%</b>

The Estimate is an increase of 13.7 per cent on 2017-18. This arises from the move of our IT costs from capital to revenue, which is cost-neutral overall, and the one-off costs of a projected office move. Additional new pressures this year include the cost of preparing for the introduction of the EU's General Data Protection Regulations (GDPR) in order to increase our data security.

After adjusting for these one-off items and the move of hosting costs from capital to resource, the like-for-like comparison is a 0.2 per cent decrease in IPSA's resource budget. The Estimate for Subhead B includes a provision of £0.292 million for the finalisation of the programme of improvements to IPSA's IT systems and processes that started in 2016-17. These funds will enable IPSA to retain specialist staff on short-term contracts to support the final implementation of the planned improvements, alongside associated on-costs. The funds will also enable IPSA staff continue to spend time supporting MPs and their staff in the new system, including by travelling to MPs' offices outside Westminster. The programme will modernise existing IT and improve the support provided to MPs. We have already delivered most of the planned improvements including a new website, improved support for MPs and their staff through an account-management approach, an online portal for MPs and a revised simpler Scheme.

There are further changes within Subhead B. Subject to a decision by IPSA's Remuneration Committee, we have assumed a 1.8 per cent pay rise for IPSA staff, and there are minor increases to the budgets for accommodation costs (by £12,000) and reduction in recruitment and training (£28,000).

We continue to receive income from the subletting of a third of our office space at 30 Millbank. This brings in an additional income of £219,000 per year until March 2019 when our lease expires and planning permission has been given for the premises to be redeveloped as a hotel.

Our non-cash costs cover depreciation and the cost of external audit. Our Estimate assumes a change in depreciation costs reflecting changes in our asset values and no change in our external audit costs.

**ANNUALLY MANAGED EXPENDITURE (AME)**

The Annually Managed Expenditure budget is a non-cash budget required to fund provisions and impairments. We currently do not know of any provisions which will need to be made, and are therefore seeking a budget of £0.05 million solely to cover unforeseen events.

**CAPITAL DEL**

<b>CAPITAL</b>	<b>2017-18 £000</b>	<b>2018-19 £000</b>	<b>Change £000</b>	<b>% Change</b>
MPs' scheme – deposit loans	175	205	30	17.1
Capital expenditure – IT	2,285	1,060	(1,225)	-53.6
<b>TOTAL Capital</b>	<b>2,460</b>	<b>1,265</b>	<b>(1,195)</b>	<b>-48.6</b>

The capital budget within the 2018-19 Estimate is £1.265 million. This is a reduction of 49 per cent on the £2.46 million in IPSA's 2017-18 budget. Our capital budget covers both IPSA's own capital investments and repayable loans made to MPs.

The Scheme allows loans to MPs to cover deposits at the start of an accommodation tenancy.

The remaining capital requirement of £1.06 million is to fund on-going development of our internal IT hardware and to support the improvements to IPSA's systems and processes, including the final stages of the implementation of a single internal IT system to bring together IPSA's separate finance, payroll and expenses IT systems. This move to a cloud-based system means that, in future, we will fund IT through cloud-supported services paid from our revenue budget rather than by buying our own hardware and other capital purchases.