



A quick guide to the MPs' Scheme of Business Costs and Expenses (2016-17):

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This summary describes the main features of the Eighth Edition of the *MPs' Scheme of Business Costs and Expenses* ("the Scheme"), which covers the 2016-17 financial year. This summary explains some of the rationale behind the Scheme. It is not a comprehensive statement of the rules and does not always use exactly the same terminology. It has no status other than an explanatory one and anyone who wants to understand the detail of the rules should refer to the Eighth Edition of the Scheme itself. Copies are available on IPSA's website: www.parliamentarystandards.org.uk.

As at 5 April 2016

A quick guide to the MPs' Scheme of Business Costs and Expenses (2016-17)

April 2016

A. Introduction

The Independent Parliamentary Standards Authority (IPSA) was created by legislation¹ after the 2009 MPs' expenses scandal. It is independent of the Government and Parliament.

IPSA regulates MPs' business costs and expenses. It also sets their pay and pensions. It combines this regulatory role with a support role: paying claims, paying suppliers, administering payroll and providing information and advice.

The *MPs' Scheme of Business Costs and Expenses* (known as 'the Scheme') sets the rules for the funding of MPs in support of their parliamentary functions.

What are MPs' parliamentary functions? There is no definitive description, but a parliamentary committee in 2007 suggested that MPs had the following responsibilities:²

- supporting their party in votes in Parliament;
- representing and furthering the interests of their constituency;
- representing individual constituents and taking up their problems;
- scrutinising and holding the Government to account;
- initiating, reviewing and amending legislation; and
- contributing to the development of policy and promoting public understanding of party policies.

IPSA supports MPs in carrying out their parliamentary functions by providing funding for a constituency office, surgeries, staff, accommodation (if their constituency is outside the London area), travel and subsistence and a number of other essential costs.

MPs also receive support from the House of Commons authorities, including an office in Westminster, IT, House of Commons stationery and some insurance and travel expenses.

If funding for parliamentary functions is not covered by the House of Commons or another source, then it is provided by IPSA if it is compliant with our rules.

All the costs which are funded publicly are designed to support MPs in carrying out their parliamentary functions. They are not provided for party political purposes (like campaigning), for any government role, or for private gain. They allow MPs to do the job for which they are elected.

We review the Scheme regularly to ensure it remains up to date.

The current Scheme (the Eighth Edition) applies to the 2016-17 financial year.

¹ The Parliamentary Standards Act 2009, as amended by the Constitutional Reform and Governance Act 2010.

² Select Committee on the modernisation of The House of Commons: *Revitalising the Chamber: the Role of the Back Bench Member*, 13 June 2007. The bullets above are an edited version.

B. Claims, payments and finance

The essence of the Scheme is that to be reimbursed for a claim, MPs must provide evidence to support it.

MPs must make claims for reimbursement within 90 days of the transaction. This is a reasonable time limit by professional standards. It allows MPs to keep track of their spending and IPSA to provide timely and accurate accounts.

At the end of the financial year (31 March), IPSA may shorten the time limit for claims incurred in that year. For the 2015-16 year end, the limit is 15 April. All eligible claims submitted after 15 April, and within the 90-day claim period, will still be paid, but deducted from the 2016-17 budgets.

To help MPs manage their personal cash flow, there are a number of facilities which allow MPs to avoid paying from their own resources before being reimbursed. These include:

- for items costing more than £200, an invoice can be submitted to IPSA, before the MPs has actually paid for the goods or services;
- in a number of areas, including rent and stationery, IPSA will pay landlords and suppliers directly;
- MPs can use a payment card for goods and services which are allowable under the Scheme (they then need to provide the evidence for these payments each month, to “reconcile” them); and
- rail tickets can be purchased online from Trainline.

Again to help with cash flow, IPSA provides an interest-free loan to MPs to pay for deposits on rented properties (office or residential).

There is a Compliance Officer who operates independently of IPSA and has two roles:

- To review complaints by MPs that IPSA has turned down a claim that should be paid;
- To investigate complaints by the public that MPs have been paid for something that shouldn't have been funded.

Overall, there has been a high degree of compliance by MPs with the Scheme rules, with only a small number of investigations undertaken by the Compliance Officer.

C. General Conditions

The Scheme is divided into different categories of expenditure, but there are some conditions which apply across the board.

The Scheme lists a number of activities which are not considered to be necessary for the performance of MPs' parliamentary functions. These are mostly related to party political activity (which should be paid for by the party or MPs themselves), or to ministerial functions (which will be paid for by the Government).

The Scheme notes that IPSA will publish information relating to MPs' claims. There is a separate Publication Scheme, which describes how we publish MPs' expenditure and IPSA's own spending and other activities³.

The transparency that comes from publication is central to IPSA's principles. It ensures accountability and allows the public to judge the spending of MPs for themselves.

96 constituencies are defined as being in the London Area. All of these are within 20 miles of Westminster. The MPs for these constituencies cannot claim for residential accommodation costs or the costs of travel from their home to Westminster. These rules are designed to meet the principle that, as much as possible, MPs should be treated in the same manner as other citizens.

MPs' budgets for the financial year are defined in the Scheme. Funds cannot be moved from one budget to another. The budgets are a limit for the year in question – they are not allowances which can be held on to for other purposes, or carried forward into the next year if there are underspends.

MPs cannot claim for goods or services provided by themselves or by a "connected party". The definition of connected parties is in the Scheme. It covers a range of family and business relationships that an MP may have.

MPs may employ one member of staff who is a connected party (most commonly an MP's spouse). If they were MPs before May 2010, they can continue to employ more than one connected party, if they did so previously. A number of safeguards have been put in place, including the publication of all connected parties' salaries, in £5,000 bands, to make sure that the ability to employ spouses and business associates is not abused.

³ We publish information on MPs' claims every two months, 4-5 months in arrears. For example, in September 2015, we published the claims processed in the previous April and May. We also publish annual expenditure information for each MP every September.

D. Residential accommodation and London Area Living Payment

All MPs have two places of work where they carry out their parliamentary functions: Westminster and their constituency. With the exception of those with London Area constituencies, MPs can claim for accommodation costs either in London or their constituency (but not both). This reflects the fact that they have these two permanent places of work, unlike most other citizens.

It is wrong to view this arrangement as providing as a "second home". It is overnight accommodation which is required to support MPs in carrying out their parliamentary functions in both places of work.

Eligible MPs can claim for accommodation in one of three ways:

- for a rental property, along with its "associated costs" – mainly utilities and council tax;
- for hotel costs; or
- for associated costs only, if they own the property.

They cannot claim for cleaning, gardening, the purchase or maintenance of furniture, home contents insurance, television services or television licences.

An annual budget is set for accommodation for MPs who rent in London and in a number of regional bands for MPs who rent in their non-London constituency. The annual London rental accommodation budget is £20,610 for 2016-17. This is designed to allow MPs to rent a one-bedroom property within reasonable travelling distance of Westminster. The regional bandings are set out at Annex B of the Scheme. MPs need to cover their associated costs from these budgets as well as their rent. If they exceed the limit, they have to fund the excess from their own resources.

London Area MPs can claim a London Area Living Payment (LALP) to help cover the additional costs of living and travelling in London. For most London Area MPs, the LALP is £3,760, paid into salary and taxable. For 23 MPs on the fringes of the London Area, who face higher travel costs, an additional £1,330 is available. Non-London Area MPs who do not claim accommodation costs can claim the £3,760 LALP instead.

There is a limit on hotel costs of £150 per night in London and £120 elsewhere in the UK.

MPs can claim for budget uplifts for their dependants at a rate of £2,425 per dependant per financial year. Most dependants will be children. All children under 16 are eligible, along with those between 16 and 18 if they are in full time education (16-21 if the MP is a single parent). These uplifts allow MPs to rent more than a one-bedroom flat if necessary and assist with cover additional associated costs. It is designed to help MPs maintain contact with their families during the course of their parliamentary work.

MPs can claim for associated costs only in a home that they own. The annual budget limit for this is £8,850 for 2016-17.

A very small number of MPs rent from other MPs. This is perfectly legitimate, provided that the landlord MP is not a connected party. We publish the details. Only the tenant MP may claim for associated costs on the property.

E. Office costs

Office Costs Expenditure (OCE) is provided to meet the costs of renting, equipping and running MPs' constituency offices and surgeries. The OCE budget covers costs that are not available from other budgets in the Scheme, or other sources, like the House of Commons.

The annual budget for OCE is £26,100 for London Area MPs, and £23,450 for non-London Area MPs for 2016-17.

MPs are given discretion over what they claim under OCE, provided that the items claimed for are in support of their parliamentary functions.

There is a list of exclusions. MPs cannot claim for alcoholic drinks, House of Commons stationery, newsletters, material (other than a website) containing a party political logo or emblem, personal accountancy or tax advice, or hospitality (including refreshments in the office).

MPs, or members of staff, can work from home, and register their home as a constituency office.

MPs can rent their office from their political party, but must provide a valuation of the market rate for the contract which has been prepared by a valuer regulated by the Royal Institute of Chartered Surveyors. This market rate cannot be exceeded.

A number of costs – pooled staffing resources, employment practice liability insurance and staff training – can be claimed either under OCE or the staffing budget. This provides MPs with a degree of flexibility in their budgeting, which can be helpful when some of these costs – parliamentary research services, for example – can run into thousands of pounds.

If MPs share an office with another MP, another representative⁴ or a political party, only the appropriate proportion of the office costs can be claimed.

If, in the dissolution period before a general election, the MP wishes to use the office as a base for the election campaign, only an appropriate proportion of any office costs can be claimed.

⁴ Such as Members of the European Parliament, Scottish Parliament, National Assembly for Wales, or Northern Ireland Assembly.

F. Staffing costs

The staffing budget is provided to MPs to assist them in the performance of their parliamentary functions. Staff should not undertake party political duties during office hours, when they are being paid from public funds.

The annual staffing budget is £148,500 for London Area MPs and £141,400 for non-London Area MPs for 2016-17. The London Area budget is 5% higher, to account for the fact that all staff will be employed in London, where staffing costs tend to be higher than other parts of the UK.

The budgets are based on an assumption of four full-time equivalent staff covering a range of functions, including office management, administrative support, casework and research. It is for MPs to decide exactly how they deploy the resources.

IPSA provides payroll services to MPs and their staff. It provides model contracts and job descriptions on its website. These must be used for all new staff. This is to ensure that all members of staff have a proper contract and an agreed job description. IPSA also sets pay ranges for each job description.

IPSA honours employment contracts agreed under earlier Parliaments. These are the only circumstances under which pay can be above or below the pay ranges set by IPSA.

MPs, not IPSA, are the employers of the staff. IPSA does not provide HR advice to MPs. This is provided by the House of Commons Members' HR Advice Service.

MPs may engage volunteers, who can claim for lunch and travel expenses if they have signed the model volunteer arrangement. This is an arrangement which imposes no contractual obligations on the part of the MP or the volunteer.

MPs may employ interns under a casual or fixed term contract. They must be paid at least the National Minimum Wage.

The largest political parties have associated organisations which offer pooled research services to their MPs. These must be for parliamentary purposes only. The costs can be claimed from the staffing budget or, if necessary, the office costs budget.

Bonus payments are not allowed, to prevent the risk of these being abused. Modest reward and recognition payments are permitted, for outstanding performance. We rely on the MPs' judgement for what is deemed to be modest. Such payments are published annually, in September. Staff names are not published.

Employees who are connected parties cannot receive reward and recognition payments. This is to avoid any perception that family members or those with a business connection to the MP are being unduly rewarded.

G. Travel and subsistence

Expenditure on travel and subsistence is not capped because of the wide variety of circumstances faced by MPs and their staff. (Compare the distances travelled by a Scottish MP with those by an inner London MP, for example). There are, however, a variety of restrictions and conditions, to ensure that value for money is achieved for the taxpayer.

We do not pay for commuting costs. This mirrors the circumstances of most citizens.

Journeys by public transport are reimbursed up to the cost of a standard /economy class fare. Value for money, rather than the class of the journey, is the main criterion.

Non-London Area MPs can claim for journeys between their homes or offices in the constituency, and Westminster. London Area MPs can only claim for journeys between the constituency office and Westminster.⁵

All MPs can claim for travel within their constituency (and up to 20 miles outside). Mileage rates are the same as those set by Parliament and administered by HMRC – currently 45p per mile.

MPs can claim for “extended” travel in the UK – that is, travel not between Westminster and the constituency or within the constituency – if it is for parliamentary purposes.

The funding of overseas travel is limited to three return journeys a year to national Parliaments of Council of Europe member states, or institutions and agencies of the European Union.

MPs can claim for taxis at their discretion, but should only do so when no other reasonable method of transport is available for all or part of the journey. They should give a reason for the claim when they make it.

If MPs are travelling outside their constituency on parliamentary business, and need to stay overnight, they can claim for a hotel. The maximum rates are £150 in London and overseas and £120 in the rest of the UK. On such occasions, they can also claim subsistence of up to £25 for food and drink (excluding alcohol).

Where the House of Commons sits beyond 11pm, MPs can claim for a taxi home (up to £80). Where the House of Commons sits beyond 1am, MPs can claim for a stay in a hotel (up to £150).

Many of the travel and subsistence rules for MPs are mirrored for their staff. Staff cannot claim for extended travel in the UK or overseas travel.

Non-London Area MPs can claim for travel between their constituency and London for their dependants and for their spouse/partner when he or she is travelling with their dependants. A maximum of 30 single journeys per year can be claimed.

⁵ In the travel rules for Scheme, we define MPs according to whether or not they are eligible to claim accommodation expenditure. This is because non-London Area MPs can elect to claim LALP instead of accommodation expenditure. This then rules them out from claiming home to Westminster travel.

H. Starting and winding up

In 2011, we introduced a start up budget of £6,000 for new MPs. This lasts for 365 days from the day after the MP is elected for the first time and can span financial years. It is designed to help new MPs with the costs of equipping an office when they first become MPs.

A winding up budget is made available to meet the cost of completing the outstanding parliamentary functions of a person who ceases to be an MP, either through retirement or through losing the seat in an election. MPs do not benefit personally from the payments.

The Scheme sets out the types of costs covered by winding up. They include staff costs and office costs and contractual commitments as the constituency office is closed down. Winding up can be claimed for costs incurred up to two months after the date when the person ceased to be an MP.

The current winding up budgets are £57,150 for London Area MPs and £53,950 for non-London Area MPs.

Departing MPs' accommodation costs will be covered by IPSA, from the contingency fund for up to two months after the date they cease to be an MP.

When MPs leave Parliament, their staff have to be made redundant. Staff redundancy costs are met from the contingency fund, but pay in lieu of notice and holiday pay come from the Staffing budget.

MPs who lose their seat at a General Election will be entitled to a Loss of Office payment, which is equal to double the prevailing statutory redundancy entitlement.

MPs who stand down voluntarily do not receive a Loss of Office payment. Following extensive consultation we concluded that there was no justification for payments to MPs who leave the House of Commons of their own accord.

I. Other assistance

Disability assistance may be claimed by any MP for necessary additional expenditure which is attributable to the disability of an MP, a staff member, a job applicant or constituents visiting the office or surgeries.

Claims for disability assistance can only be made in relation to MPs' parliamentary functions outside the Parliamentary estate. Within the Parliamentary estate, it is provided by the House of Commons authorities. There are no set limits on funding: decisions are made on a case by case basis.

Security assistance is available where security measures – beyond routine burglar alarms and locks – are necessary for MPs to carry out their parliamentary functions.

Standard security measures will be funded from the Security Assistance Fund. Standard security measures consist of those outlined in the security options package of the National Police Chiefs' Council ('NPCC'). There is no set limit and decisions are made on a case by case basis. IPSA will not accept a claim for standard Security Assistance unless it is provided with an assessment by a member of the Master Locksmiths Association ('MLA') as advised in the NPCC guidance; the MP obtains quotes from two independent MLA members; and the MP completes and submits two copies of the NPCC Self-Assessment form along with the IPSA security application.

Standard and routine Security Assistance claims will not require a report from a police force or security agency. MPs who consider that they require enhanced security requirements should in the first instance contact the IPSA Security Officer.

If an MP receives a specific threat and believes that enhanced security measures outside the standard package are required, they should contact their local Police Commander who will assess the information provided together with any other relevant intelligence and carry out a security review.

For further information on security arrangements please contact IPSA.

Individual disability and security assistance claims are not published. The aggregate annual expenditure for each of the categories is published every year.

In the event of a recall of Parliament during Recess (when Parliament is not sitting), IPSA will settle claims for any reasonable travel by MPs and their spouses/partners and dependants back to London. This includes international travel back to the UK and a return to the foreign location if necessary. We expect MPs to travel standard class or equivalent unless they have no alternative, or there is a more cost-effective option available.

MPs can apply for contingency funding either for costs not covered by the Scheme or for extra funding. In considering an application, IPSA will take the following factors into account:

- whether there are exceptional circumstances warranting additional support;
- whether the MP could reasonably have been expected to take any action to avoid the circumstances which gave rise to the expenditure or liability; and

- whether the performance of an MP's parliamentary functions will be significantly impaired by a refusal of the claim.

Contingency funding allows a degree of flexibility on funding and avoids the need to create yet more rules, or increases in general budgets, to deal with the variety of exceptional and unpredictable circumstances of 650 MPs, representing very different constituencies across the UK.

Contingency funding is also available for the cost of replacement staff to cover staff on maternity, paternity or adoptive leave or long term sickness leave. Staff redundancy costs are also funded from contingency. This ensures that these costs are covered centrally rather than coming out of MPs' capped budgets.