

**REVIEW OF THE MPs' SCHEME OF BUSINESS COSTS AND
EXPENSES**

CONSULTATION

NOVEMBER 2014

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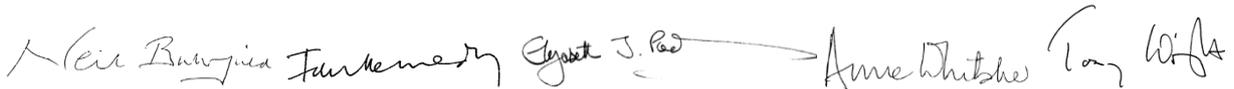
FOREWORD BY THE BOARD OF IPSA

In 2010, the newly created IPSA was charged with putting in place a scheme to set and administer MPs' business costs and expenses. We made a commitment to establish a system that was fair, transparent and workable, achieved value for taxpayers' money, enabled MPs to carry out their parliamentary functions and, as a consequence, assisted in restoring public confidence in Parliament.

The rules set out in the *MPs' Scheme of Business Costs and Expenses* ('the Scheme') are now widely understood and observed by MPs. We publish information regularly so that the public can see exactly how MPs spend taxpayers' money.

We are now consulting on a small number of changes to the rules ahead of the General Election in May 2015. We believe that these changes will help to ensure that the rules remain fair, workable and transparent into the new Parliament.

As always, we are keen to hear your views as part of this review of the Scheme. We invite you to respond to the questions we set out. We will take your responses into consideration as part of the review. Any changes will be incorporated into the new edition of the Scheme, which will come into effect on 1 April 2015, with some changes taking effect on 8 May 2015.



**Sir Neil
Butterfield** **Sir Ian
Kennedy** **Elizabeth
Padmore** **Anne
Whitaker** **Professor
Tony Wright**

A. EXECUTIVE SUMMARY

1. This consultation focuses on a small number of changes to the *MPs' Scheme of Business Costs and Expenses* ('the Scheme') that are necessary ahead of the new Parliament. This small-scale review will ensure that necessary changes to the Scheme can be considered, implemented and communicated in good time before the General Election scheduled for 7 May 2015.
2. The matters covered in the review are set out below.
 - The requirements on MPs when starting, ending or amending a lease (for either rental accommodation or an office): we are proposing to amend the rules to ensure good practice and clarity of expectations when MPs change the lease arrangements for a property they claim for.
 - MPs' staff pensions: we are proposing some changes to the rules on MPs' staff pensions to ensure that the Scheme complies with legislation on pension auto-enrolment. We are seeking your views on two key issues. The first is our plan to replace references in our rules to the current staff pension scheme (which does not qualify under the auto-enrolment rules) with a new pension scheme. The second is our plan to remove the provision for MPs' staff to request alternative pension arrangements in the new Parliament, as this practice does not comply with the rules on auto-enrolment.
 - Subsistence for MPs' staff: we are proposing to clarify the rules to ensure that MPs' staff members can only claim for subsistence when it is directly associated with a claimable journey. This minor amendment will ensure consistency and clarity.
3. This consultation document sets out the background to each of these matters and asks a series of questions, with the full list of questions set out in Annex A. In addition to the specific matters set out in this consultation, we will also undertake our usual review of all of the budget limits contained in the Scheme. We will also ensure that our guidance is comprehensive and up to date.

B. INTRODUCTION

Background

4. The Independent Parliamentary Standards Authority (IPSA) is the statutory body responsible for regulating and administering MPs' business costs and expenses as well as determining MPs' pay and pensions. We were established in 2009 by the Parliamentary Standards Act, later amended by the Constitutional Reform and Governance Act 2010.

We routinely publish the full details of individual MPs' expenditure under the Scheme on our publication website www.parliamentary-standards.org.uk.

5. The Scheme is intended to ensure that MPs are reimbursed for costs necessarily incurred in the performance of their parliamentary functions. It sets out a series of fundamental principles and rules, including budget limits, within which MPs must operate, as well as offering guidance to provide help with their interpretation of the rules.
6. We have a statutory requirement to review the Scheme regularly. Over the past four years we have done so annually to ensure that the rules and budgets are fair and workable. In doing so, we have consulted widely. We also carry out thematic reviews, exploring some areas of the Scheme in greater depth.
7. The current edition of the Scheme (the Sixth Edition) came into effect on 1 April 2014 and will continue to apply until 31 March 2015. Following this review, we will publish the Seventh Edition of the Scheme in late February 2015, along with a report on the consultation and an Equality Impact Assessment. Any changes will come into effect on 1 April 2015 for the 2015-16 financial year, with some changes having effect from 8 May 2015, following the General Election.

How to respond to this consultation

8. This consultation runs from 26 November 2014 to 18 January 2015. Responses received after the closing date may not be considered.
9. Please send us your response by email to:
schemeconsultation@parliamentarystandards.org.uk.
10. If you do not have access to email, you may send a response to our postal address:
Scheme Consultation
Independent Parliamentary Standards Authority
4th Floor, 30 Millbank
London SW1P 4DU
11. We will publish your response in full, including your name (but not your contact details), unless you ask us not to. We will also publish our analysis of the responses.
12. Following this consultation, we will review all the responses and use them to inform any revision of the Scheme.

C. ACCOMMODATION EXPENDITURE AND OFFICE COSTS EXPENDITURE

Requirements on MPs when starting, ending or amending a lease

13. MPs who claim rental costs under Accommodation Expenditure (for a residential property) or Office Costs Expenditure (for a constituency office) may apply to IPSA for a loan to cover any deposit payable at the start of a tenancy. The Scheme already states that MPs are responsible for securing the return of a deposit for their property and, where they have a deposit loan, for repaying the amount in full to IPSA promptly. The Scheme states that any shortfall between the deposit loan paid and the amount returned shall be the sole responsibility of the MP.
14. We propose to add a similar rule to emphasise that MPs are responsible for notifying IPSA when there is any change to the rental contract of an office or accommodation that they claim for. This includes giving prior notification to IPSA when they move accommodation, their rental payments cease or begin, or their rental payments change, particularly if they have their rent paid directly by IPSA.
15. We plan to make this change to the rules to ensure that they reflect good practice and there is clarity of expectations. It would reduce the administrative burden on IPSA and ensure that records and payments are accurate and up to date.

Question 1: Do you agree we should add a rule to clarify MPs' responsibilities for notifying IPSA when there is any change to the rental contract of an office or accommodation that they claim for?

D. STAFFING EXPENDITURE

Pension scheme for MPs' staff

16. MPs are the employers of their staff, but IPSA sets the rules of employment and also acts as the payroll administrator, paying salaries to MPs' staff members and employer's pension contributions on behalf of MPs.
17. New legislation requires all employers to enrol automatically all eligible staff members in a 'qualifying' workplace pension scheme, and pay employer contributions towards it.¹ Each employer has a date by which they must comply with the law, called a 'staging date'. The staging date for MPs is in March 2016. We need to ensure that the rules of the Scheme, and our internal processes, are compliant with the auto-enrolment legislation.

¹ Further information on the automatic enrolment rules is available at www.thepensionsregulator.gov.uk/automatic-enrolment.aspx.

18. At the moment, we offer all MPs' staff (except those employed on a casual or short-term contract) the opportunity to join the Portcullis Pension Plan. This is a stakeholder pension scheme, set up by the House of Commons in 2003. We then pay an employer's contribution, equivalent to ten per cent of the staff member's salary, into the pension scheme each month. This contribution is deducted from the MP's Staffing Expenditure budget. There is no requirement for staff members themselves to contribute, although a number do.
19. In the Portcullis Pension Plan, the employer's contribution is split equally (by default) between two pension providers. This means that each contribution is worth five percent of the staff member's salary. This does not comply with the new automatic enrolment legislation, which requires that, by 2017, workplace schemes make a total contribution of at least eight per cent of the staff member's salary to one pension scheme. In the future, therefore, the employer's pension contributions will need to be made to a single provider (which may be one of the current providers).
20. This duty on employers to select a qualifying pension scheme and automatically enrol all staff in a qualifying pension scheme technically rests with MPs as employers of their staff. However, as noted above, IPSA is the payroll provider and sets the rules on the employment of staff paid from taxpayers' funds. We believe that it will be simpler and less burdensome for MPs, and for IPSA, if we take on the duty of selecting a pension scheme and automatically enrolling all eligible staff members in it.
21. We propose, therefore, to select a new qualifying workplace pension scheme for MPs' staff to ensure compliance with the automatic enrolment rules. In selecting this scheme, we will seek the best value for MPs' staff and also take into account the service that the potential providers can offer to members and to IPSA.
22. The new pension scheme will come into effect after the next General Election for the vast majority of MPs' staff. Staff who are on casual or short-term contracts are not currently enrolled into the pension scheme. However, the legislation requires that they be enrolled by 1 March 2016 if they meet the age and salary threshold. We will consider whether it will be possible to begin enrolling these staff into the new pension scheme before this deadline. All staff will have the ability to opt out if they so wish. No staff member will be required to make their own contributions to the pension scheme, although they will be able to do so if they choose.
23. Staff members who are currently enrolled in the Portcullis Pension Plan will be able to keep any funds invested in the current pension scheme if they wish. Alternatively they may wish to move the funds to a new pension scheme, or to another provider, as with any such plan.
24. The new pension plan will be selected over the next few months. As the Scheme currently refers to the Portcullis Pension Plan, the wording in the rules must be amended to refer instead to "a pension scheme selected by IPSA". It is essential that we make this change to the rules before the General Election.

25. As noted above, the automatic enrolment legislation requires all eligible staff members to be enrolled in a qualifying workplace pension scheme. This means that for those MPs who employ staff on casual or temporary contracts (who are not currently enrolled in the Portcullis Pension Plan), there may be a small increase in employer's pension contribution costs. We will examine the scale of this increase and whether any adjustment needs to be made to the Staffing Expenditure budget as a result.

Question 2: What are your views on our plan to amend the Scheme to conform to the automatic enrolment rules and replace the reference to the non-qualifying Portcullis Pension Plan to "a pension scheme selected by IPSA"?

Alternative pension schemes for MPs' staff

26. The Scheme currently allows staff members to request that their employer's pension contributions be made instead to a pension scheme other than the Portcullis Pension Plan, such as a Self-Invested Personal Pension. A small number of staff members currently have these alternative arrangements. This is an unusual situation as most employers will only make contributions to the pension plan that the employer selects.

27. The current arrangements do not comply with the automatic enrolment rules, as all staff will need to be enrolled in the default plan. We will, therefore, no longer be able to offer this facility from the staging date of March 2016. From that date, MPs' staff will receive employer contributions in the default scheme only. If a staff member wishes not to receive payments to the default scheme, they are free to opt out but they will not receive employer contributions to any other pension scheme.

28. Administering the current arrangements is complex for IPSA and costly for the taxpayer. The contributions to the alternative plans are made on a variety of schedules (in comparison to the Portcullis Pension Plan, which is on a regular monthly cycle) and each carries a considerable administrative burden on IPSA. In view of this, together with the common practice of only making payments to one pension scheme and the requirement in future for this to be so, we propose to remove this facility from the start of the new Parliament, rather than waiting until 1 March 2016 (the auto-enrolment staging date). This will mean that all eligible staff members employed by MPs in the new Parliament will receive a ten per cent contribution into the default pension scheme that IPSA selects, rather than a personal plan. This will require a change to the Scheme to remove the facility relating to alternative pension schemes from 8 May 2015.

Question 3: What are your views on our plan to end the facility for MPs' staff members to request pension contributions be made to an alternative pension scheme in the new Parliament?

E. TRAVEL AND SUBSISTENCE

Subsistence claims by MPs' staff

29. The Scheme sets out the rules relating to travel and subsistence necessarily incurred in the performance of MPs' parliamentary functions. This includes travel and subsistence for MPs, their staff, eligible dependants and carers. Paragraph 9.37 of the Scheme states that MPs' staff may claim reimbursement for subsistence "if the staff member necessarily stays overnight in a hotel to assist the MP in his or her parliamentary functions, or if the staff member is undertaking training". Expenditure is limited to £25 for each night for food and non-alcoholic drinks.
30. The rule on subsistence claims does not align directly with our rules on the types of travel that MPs' staff can claim for. The rules only allow MPs' staff to claim for travel between the MPs' constituency office and Westminster; within the MPs' constituency or within 20 miles of the constituency boundary; or to undertake relevant training.² The rules do not allow MPs' staff to claim for other journeys, such as extended UK travel and European travel, even if they are assisting the MP in his or her parliamentary functions.
31. We propose to amend the rules to clarify that MPs' staff members can only claim subsistence where their overnight stay is directly associated with a claimable journey under the Scheme, and include a reference to the relevant rules on the travel that MPs' staff can claim for. Last year, we made a similar amendment to paragraph 9.36 of the Scheme to state specifically that we will only cover overnight hotel costs for MPs' staff where directly associated with a claimable journey. This proposed change regarding subsistence claims ensures that our rules remain clear and consistent.

Question 4: Do you have any comments on our plan to amend the rules to clarify that subsistence claims can only be made for MPs' staff members where their overnight stay is directly associated with a claimable journey?

F. OTHER MATTERS

Equality and diversity

32. One of the fundamental principles of the Scheme is that the rules should be sufficiently flexible to take into account the diverse working patterns adopted by MPs, and that they should not unduly deter representation from all sections of society. This principle is in addition to our responsibilities under the Equality Act 2010.

² For the rules on travel by MPs' staff members, refer to paragraphs 9.19-9.21 of the Scheme.

33. As part of this review, we will carry out an Equality Impact Assessment (EIA) to consider any likely or actual impacts of any new policies which emerge from this consultation. We will review the impact of the Scheme on the Equality Act's 'protected characteristics'.³ Previous EIAs have identified improvements in the provisions, for example, for those with disabilities, and for MPs with caring responsibilities. The EIA will also consider the extent, if any, to which the Scheme may affect the wider diversity of the House of Commons. We will publish the EIA for this review together with the revised Scheme. We welcome responses, in particular from MPs and their staff, about how the current edition of the Scheme is operating with regard to equality and diversity.

Question 5: What likely or actual impact do you believe the Scheme and matters raised in this consultation may have on equality and diversity in relation to MPs and their staff?

Budget levels

34. In addition to the matters set out in this consultation, we will also undertake our usual review of budget limits. Each year, we carry out a thorough review of relevant factors under the Accommodation Expenditure and Office Costs Expenditure budgets, including inflation, utility costs, council tax, business rates, and rents. In addition, we review the Staffing Expenditure budget to take into account other relevant factors such as the wider public sector pay policy and pension liabilities.

35. Following last year's review, we increased the budget for Office Costs Expenditure by 2 per cent and the budget for Accommodation Expenditure by 2.5 per cent to reflect inflation and actual costs. We will report on our findings of the budget review when we publish the Seventh Edition of the Scheme.

36. We welcome any views on the budget levels.

Question 6: Do you have any comments on the budget levels under the Scheme?

Any other comments

37. If, having reviewed this consultation document and the current Scheme (available at www.parliamentarystandards.org.uk), you have any additional comments that you would like to put forward, we would welcome these in response to question 7 below.

Question 7: Do you have any other comments you would like to make about the *MPs' Scheme of Business Costs and Expenses*?

³ The nine protected characteristics are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion and belief, sex, and sexual orientation.

ANNEX A: LIST OF CONSULTATION QUESTIONS

Accommodation Expenditure and Office Costs Expenditure

Question 1: Do you agree we should add a rule to clarify MPs' responsibilities for notifying IPSA when there is any change to the rental contract of an office or accommodation that they claim for?

Staffing Expenditure

Question 2: What are your views on our plan to amend the Scheme to conform to the automatic enrolment rules and replace the reference to the non-qualifying Portcullis Pension Plan to "a pension scheme selected by IPSA"?

Question 3: What are your views on our plan to end the facility for MPs' staff members to request pension contributions be made to an alternative pension scheme in the new Parliament?

Travel and Subsistence

Question 4: Do you have any comments on our plan to amend the rules to clarify that subsistence claims can only be made for MPs' staff members where their overnight stay is directly associated with a claimable journey?

Other matters

Question 5: What likely or actual impact do you believe the Scheme and matters raised in this consultation may have on equality and diversity in relation to MPs and their staff?

Question 6: Do you have any comments on the budget levels under the Scheme?

Question 7: Do you have any other comments you would like to make about the *MPs' Scheme of Business Costs and Expenses*?

Please refer to the Introduction for details on how to respond to this consultation.