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#### **EXPENSES SCHEME: NEW PAYMENT MECHANISMS AND REVIEW OF RULES**

The new expenses scheme has now been in operation for six months and this is a good moment to reflect on progress made, and on the work that remains to be done. This letter, which I am sending to all Members of Parliament, comments first on the early operation of the scheme before focusing on the opportunities ahead to address those issues which I know are a continuing cause of concern.

We all knew that the establishment at pace – and from scratch – of a new expenses regime, run by a new organisation was a tough ask. We delivered the system on time, but I am conscious that in doing so we made mistakes. Taken as a whole, the new rules provided a rigorous framework for the management of expenses. Some, however, had unintended consequences and some of our services fell short of the standard that you have a right to expect. We have made progress in addressing both, but there is more for us to do.

Before turning to the work now in train to develop the rules and their operation, I want to address a couple of points that have been put to me in recent weeks. The first is the suggestion that we do not acknowledge errors we have made. I don't think that is accurate, but let me put the issue beyond doubt. I apologise for shortcomings in our first few months of live-running and I confirm that we are determined to learn from them. The second point has been the notion that IPSA is

in some sense anti-MP. That is simply not true. We have been given a brief which means we are both a regulator and a service provider. At times those roles are in tension, but the core of our mission is to support parliamentary democracy. We cannot do that without providing appropriate support for MPs. There is, of course, legitimate scope for disagreement about what is 'appropriate', but the spirit which animates IPSA – from the initial induction of new staff through to the way we organise our services – is a commitment to do all we can to foster representative democracy. I recognise that it is one thing to say this and another to persuade all MPs that this tallies with your experience of our services. But that is a challenge I hope we can meet over the months to come. We are confident we can fulfil the responsibilities we have to the public *and* those we have to MPs.

### **Payment mechanisms**

Let me turn now to the work ahead. First, let me tell you about the work to change our methods of making payments. In response to requests from MPs to allow for alternative payment mechanisms, I wrote to you on 3 September announcing three changes, which we would pilot with a view to rolling them out more widely in November. After successful pilots, we are now making all three changes available to all MPs:

- i) we will now make direct payments to landlords for residential accommodation and rented constituency offices. If you would like to take advantage of this facility, details and the associated form, called the 'simplified payments application form' - are on IPSA's website;
- ii) with immediate effect, you can now use your IPSA travelcard to pay for a number of items in addition to travel, including business rates, council tax bills and certain utility bills (both for IPSA-funded residential accommodation and constituency offices). Payment card statements will still require full reconciliation; and
- iii) with immediate effect we will now make payments against invoices for all expenses over £200. These payments will, of course, need to be supported afterwards with receipts.

We will monitor the success of each and will continue to work on other opportunities to make the system simpler and quicker to use.

## **Review of the Rules**

My colleagues are now gathering evidence for the first annual review of the rules. This work will include a formal consultation, to run from 5 January to 11 February, in which we will call for evidence in response to a public consultation document. Before Christmas, we will work with MPs, amongst others, to identify and explore the key issues, further improving our understanding of what is working and what is problematic. After six months of live running, we are keen to draw on hard data from the practical application of the rules.

In advance of this I thought it would be helpful if I set out here our approach to the review. The first point to make is that it will be wide-ranging and we will be open to arguments which are aimed at improving the system and its administration. IPSA is committed to delivering an expenses regime which is fair, workable and transparent. We are open to proposals – from all-comers – as to how we achieve those ends. In particular, we are keen to receive proposals which would help us to deliver a system which secures appropriate accountability to the public at less cost – to MPs and to IPSA.

This might involve changes to payment mechanisms and/or to the scheme. The prize here is the greatest simplicity and lowest cost, consistent with providing the necessary assurance to the public and thereby beginning to restore the public's confidence. We would welcome, and will facilitate, a genuine debate about how this goal can best be achieved.

Our aim is to be ready to implement changes in the new financial year.

There will be difficult choices to be made and it will not be possible to provide solutions which please everyone. But I hope that this letter does, at least, provide you with a sense of the direction in which we are headed and of our determination to make progress in that direction.

Andrew McDonald  
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