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Member of Parliament
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3 September 2010

Dear Member of Parliament,

- 1) FOR INFORMATION: SIMPLIFICATION OF PAYMENTS TO MPs**
- 2) FOR INFORMATION: FIRST ANNUAL REVIEW OF EXPENSES RULES**

This is the first of two letters you will receive from me over the next couple of days. In this one, I set out some changes to the way we administer your expenses and I describe the start of the first annual review of the rules. In the second, I will assess the progress made over the summer and will look forward to the work that lies ahead over the next couple of months.

1) SIMPLIFICATION OF PAYMENTS

Now that the new expenses regime is up and running and we are able to draw on the experience of the first few months of our operations, we want to introduce some changes to the way your expenses are covered. These, I should stress, are changes to the way payments are made; they do not affect the rules themselves.

Our objectives here are to minimise administrative costs – for you and for ourselves – while maintaining appropriate scrutiny over expenditure. The three changes set out below all draw on feedback we have received since the general election.

a) Payments to landlords

The first of the simplifications will see IPSA make payments to MPs' landlords direct for the rental charges on constituency offices and residential accommodation. In order to maintain control and meet audit requirements, we will ask MPs to declare every six months that the leases remain in force. IPSA will, of course, need to agree any new contracts.

In order to accommodate this step, we will make some changes to the online system. These will be made, tested and piloted between September and October before the new approach is rolled out in full in November.

b) Wider use of travelcards

A further simplification we are making is to extend the use of the IPSA travelcard to allow it to be used as a credit card for a small number of items of expenditure, including council tax bills and certain utility bills. In all of these cases, IPSA will be able to maintain close audit arrangements. We will continue to ask you to match your credit card statements against your expenditure on the credit card and submit the statements with matching invoices/receipts through the normal process.

Inadvertent (or inappropriate) use of the card for purchases not allowed in the rules will result in IPSA's reclaiming such expenditure and might lead to sanctions.

This change will also be introduced in November, again after the necessary change to, and testing of, the IT system and the associated procedures.

Please note that, ahead of this change, we will be asking you to be fully up-to-date with the submission of your credit card statements against payments made on your travelcard. We will issue further guidance on this in the weekly bulletin.

c) Payment against invoices

The third change will be to expand the arrangement whereby IPSA pays expenses on the submission of invoices, rather than waiting for receipts. We currently allow payment on the basis of submission of invoices for a small number of categories of expense. In future all expenses over £200 will be payable on the submission of an invoice. All such claims will be subject to the same verification as any other claim, and will require the subsequent submission of supporting evidence and receipts within one month of the claim being made.

This change will be introduced from the start of November.

We will provide more detail on these changes to the service over the coming weeks.

2) ANNUAL REVIEW OF THE RULES

As you may know, IPSA is committed to reviewing the new expenses scheme annually. We have now started our preparatory work for the review. This has included analysing data on expenses claimed since May and considering any representations on the expenses rules and their operation that we have received to date.

This review will involve a public consultation starting in October where we will be inviting comments from you, from the public and from a broad range of interested parties.

Issues to be considered in the review will include:

- the problems that IPSA was created by Parliament to address and the extent to which IPSA has begun to address them;
- the impact that the rules have had on MPs and their staff. For example, representations have been made that we should examine again the impact of the scheme on family life and on MPs living in the outer reaches of the London Area;

- whether any changes should be made to the rules themselves; and
- the potential financial impact of any proposed changes to the rules.

Additionally, we are reviewing the requirements for evidence needed to support claims. In considering this issue, we will balance our requirements for assurance, against the administrative burdens on IPSA and on MPs. Again, we would welcome your views on this.

Any changes as a consequence of the review of the rules will be introduced for the next financial year.

We will send you further information on the review in the bulletin over the coming weeks.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Andrew McDonald', with a horizontal line underneath the name.

Andrew McDonald
Interim Chief Executive