

1 March 2011

Our ref: AM-403

Dear Member of Parliament,

YEAR END ISSUES

With the end of the financial year approaching, many of you have said you would welcome guidance on how we intend to handle the year-end processes. This note seeks to set out our approach, as agreed with the National Audit Office, and what we will need from you to help ensure the process is as straightforward and efficient as possible.

If you have any questions about the detail of your claims, please email or telephone us.

Submitting claims at the end of the financial year (for information and action)

We should be grateful if you would submit any outstanding claims for financial year 2010/11 as soon as possible after the end of the financial year, and ideally before the end of April.

We will ensure your claim is deducted from the budget for the correct financial year, based on the transaction date you enter into the online expenses system. For reimbursements the transaction date should be the date you paid, for advances it should be the date of the invoice.

Direct Payments (for information)

Where, at your request, we make advance rental payments to landlords, which cover a period of more than one month and which span both financial years, we will pro-rate payment across financial years 2010/11 and 2011/12. So if, for example, we pay your landlord £3000 on 1 March for quarterly rent covering March, April and May, we will apportion the rent so that the £1000 for March comes from your 2010/11 budget, and the rest comes from your 2011/12 budget.

Payment Cards (for information)

Payment card statements for this period will run from 26th March to 25th April. We will allocate these payments to the right financial year based on the transaction date provided by Barclaycard.

Claims which relate to both 2010/11 and 2011/12 (for information and action)

At the end of the financial year, where payments span both years, you may divide these claims between your 2010/11 and 2011/12 budgets if you wish. This applies only to claims which cover both 2010/11 and 2011/12.

If you pay a large bill over year end which relates to both 2010/11 and 2011/12, you may choose to pro-rate the payment between years yourself. We have installed a ready reckoner on our website which can help you apportion the payment between financial years (<http://www.parliamentarystandards.org.uk/docs/readyreckoner.xls>).

We will use the transaction date to allocate each claim line to a financial year. Please ensure that claim lines which relate to 2010/11 have a transaction date of 31 March or before, and that claim lines relating to 2011/12 have a transaction date of 1 April or after. We cannot amend transaction dates for you.

If you pay a bill which covers both years and you choose not to divide your claim between years, we will deduct the total amount from your budget based on the transaction date i.e. if the date is 31 March or before we will deduct it from 2010/11, and if it is 1 April or after we will deduct it from 2011/12.

For example, you might have a rent claim for £3,000 which covers March, April and May and which you pay to your landlord on 1 March. When you submit the claim to us you can either:

1. Enter a single claim line for £3,000, with a transaction date showing when the cost was incurred (1 March). In this case, we will deduct £3,000 from your 2010/11 budget, assuming you have sufficient funds; or
2. Submit two lines on the same claim form (using our ready reckoner to work out how much relates to each year). One line will include £1,000 for March, with a transaction date showing when the cost was incurred (1 March). We will pay this from your 2010/11 budget. The second line will include £2,000 for April and May, with a transaction date for next year (1 April). We will pay this from your 2011/12 budget.

Managing your budgets (for information and action)

We recommend you use the facilities on the online expenses system to check the status of your budget. If you select Standard Reports then Monthly Overview Against Budget, you will be able to see how much you have spent in each budget, the maximum allowable, the amount still available and the percentage of the budget you have spent so far. You may use this to help forecast your spending to the end of the financial year. Please note that this report is updated in real time as claims are paid.

Once you have reached the limit of your accommodation, GAE, and CORE budgets, you will not be able to make further claims. If you believe you are likely to exceed any particular budget, you should contact us as soon as possible. If you believe you will be hindered in carrying out your Parliamentary duties as a result of exceeding a budget, you may wish to submit a bid for contingency funding for us to consider. In assessing contingency claims we will take into account whether an MP could reasonably have been expected to take action to avoid the expenditure and whether performance of an MP's parliamentary functions would be significantly impaired if we were to refuse the claim.

If you forecast that you will go over your staffing budget, you should make a claim to the contingency panel. If you do not make a claim, or your claim is unsuccessful, we will continue to pay your staff through the payroll and will deduct the overspend from next year's budget limit.

Your staff budgets were established to cover payments made in May 2010 when the House of Commons, not IPSA, made these payments. Although the House has recently confirmed the costs from this period, we believed it would be unreasonable

to deduct these from your budgets at short notice and close to the end of the financial year. We have decided, therefore, to cover centrally all staff costs incurred during May 2010.

As with all organisations whose funding is subject to Parliamentary approval, IPSA has to have its budget confirmed by Parliament and, until that happens, we are not in a position to confirm revisions to your budgets for the next financial year. As is common practice across the public sector, you should plan for the next financial year in line with your present budgets. Once our funding is confirmed we will notify you of any changes to individual budgets immediately.

Taxation

We are still in discussion with HMRC about potential dispensations to cover the Expenses Scheme. As soon as we are in a position to provide you with advice on arrangements for items claimed under our Scheme which may need to be reported for tax purposes, we will do so.

Yours faithfully,

A handwritten signature in black ink that reads "Bob Evans." The signature is written in a cursive, slightly slanted style.

Bob Evans
Director of Finance and Corporate Services