

## Minutes of a meeting of IPSA's Board

Wednesday 8 July 2015

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**Present:** Sir Ian Kennedy, Chairman  
Sir Neil Butterfield  
Liz Padmore  
Anne Whitaker  
Professor Tony Wright

**In attendance:** Marcial Boo, Chief Executive  
John Sills, Director of Regulation  
Judith Toland, Director of Operations and Change  
Naomi Stauber, Head of Board and Chief Executive Office  
Matthew Lumby, Head of Communications  
Briony Carew, Head of Policy

**Apologies:** None

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**Status:** Submitted for approval at the meeting of the Board on 22 July 2015

**Publication:** As approved.

## **1. Welcome and Declarations of Interest**

- 1.1 The Chairman opened the meeting and welcomed those attending.
- 1.2 The Chairman noted that there were no apologies.
- 1.3 The Chairman invited Board and staff members to declare any interests not previously recorded. No interests were declared.

## **2. Minutes of previous meetings and matters arising**

### Minutes

- 2.1 The minutes of the meeting held on 24 June 2015 were approved as a correct record.

### Matters arising from the minutes

- 2.2 The Board queried whether some of its comments on the draft principles of the Scheme had been interpreted correctly, and clarified the intended meaning. IPSA's Director of Regulation agreed to take this into account when the draft principles were next presented for approval.
- 2.3 The Chairman noted that, following the Board's last meeting, at which issues relating to the information contained in the Management Accounts were raised, the Chief Executive had provided clarification on the matters of concern. However, there were still outstanding queries to be addressed, and the Chief Executive agreed that the Head of Finance should attend all future meetings at which the Management Accounts are considered.

### Actions arising from the previous meeting

- 2.4 The Board noted the actions that had been completed since the last meeting.

## **3. Statutory Review of MPs' Pay: Findings and Decision**

- 3.1 IPSA's Director of Regulation introduced the report which presented the findings of the consultation on the statutory review of MPs' pay, and sought decisions on the issues of the level of MPs' pay and indexation. He noted that a determination on MPs' pay had already been made – in December 2013. This will come into effect as drafted, on 30 September 2015, unless it is amended in the meantime. The determination as proposed will increase MPs' annual salary to £74,000, and thereafter index it to changes in national average earnings. However, IPSA is required by statute to review MPs' pay in the first year of each Parliament. To this end, a consultation was launched on 2 June and closed on 30 June. The consultation sought any new and compelling evidence which might lead IPSA to reconsider its determination made in 2013.

3.2 The Board was invited to review the findings of the consultation, examine changes to the UK's economic circumstances since its previous decisions taken in December 2013 and, in the light of this information, consider the two key elements of the determination: the level of MPs' pay and the question of indexation in future years.

3.3 In respect of the level of MPs' pay, the Board noted, in particular, that:

- The question of the level of MPs' pay was the final element of a new, cost-neutral remuneration package for MPs, which also included: reforms to pensions, with a move to a career average earnings system, lower benefits and reduced contributions, both for the tax payer and MPs themselves; the ending of resettlement payments for MPs leaving Parliament (replacing these payments with arrangements more akin to redundancy payments); and a further tightening of some aspects of MPs' business costs and expenses.
- It was also the final stage of a three year process of detailed research and consultation on MPs' pay and pensions which began in 2012, after IPSA was given the powers to determine MPs' pay in May 2011, and MPs' pensions in October of the same year.
- Whilst the majority of the public who had either responded to the latest consultation, or had articulated their views on social media and through polls, were opposed to a pay increase for MPs, this did not constitute new and compelling evidence.
- A representation had been submitted on behalf of the Government which asked IPSA to reconsider its determination.
- A selection of MPs, other organisations and representatives from the academic community had also responded to the consultation, with mixed views – some in support and some opposed.

3.4 After carefully considering the findings of the consultation, the Board agreed that it had not received any evidence that was new or compelling such as to cause it to change its decision, made in December 2013, that the level of MPs' pay should be £74,000 per year, backdated to 8 May 2015.

#### Indexation of MPs' Pay

3.5 In respect of the method of indexation of MPs' pay in future years, the Board noted, in particular, that:

- The previous decision to index MPs' pay against changes in national average earnings, as opposed to public sector earnings, was taken in the knowledge that MPs' pay increases would inevitably be compared with those in the public sector. As the consultation paper explained, this was so that MPs' pay would be tied to

the fortune of all citizens, given that MPs represent all their constituents, not just those from a particular sector.

- The Government had announced that public sector pay increases will be held to 1 per cent a year for this Parliament. By contrast, the Office for Budget Responsibility is forecasting that earnings across the whole economy may increase by more than 4 per cent per year over the medium term. With this disparity in mind, the Board questioned whether its previous decision to index MPs' pay to earnings growth across the whole economy, as was proposed in the consultation, was right for the medium term.
- Over the longer term, data from the Office for National Statistics indicates that public sector earnings had grown faster than those in the private sector over the past fifteen years, and much faster than the pay of MPs. However, for the past five years, growth in public sector earnings has lagged behind that of the private sector. This is likely to continue for the next five years. When the Board made its determination in December 2013, the expectation was that public sector earnings would recover more quickly.

3.6 The Board agreed that, whilst it adhered to the principle that MPs represent all their constituents, and not just those in one sector, the disparity between the forecasts for public sector pay, compared to that of the whole economy, in addition to the continued circumstances of austerity over the next several years, was new and compelling evidence. In the light of this, the Board concluded that, for the remainder of this Parliament, MPs' pay should be indexed to changes in average earnings in the public sector rather than to earnings in the economy as a whole.

3.7 The Board agreed:

- to note the findings of the consultation for the statutory review of MPs' pay;
- that MPs' annual salary should increase to £74,000, backdated to 8 May 2015;
- that in future years, MPs' pay should be indexed to changes in average earnings in the public sector;
- that the draft report on the consultation and the determination on MPs' pay should be amended, in the light of the Board's final determination, and circulated for its final approval prior to publication; and
- that the authority to decide the timing of the announcement of the determination and the publication of the final report should be delegated to the Executive, in consultation with the Chairman.

**ACTION: John Sills to amend the draft report on the consultation on MPs' Pay, and circulate it to the Board for its final review.**

#### **4. Update on General Election 2015**

4.1 The Board received a report from IPSA's Director of Operations and Change which updated it on the progress of the General Election programme. It noted, in particular, that:

- IPSA is now in its busiest period of the General Election programme, with all areas of the organisation managing a large workload.
- Over the last few months the team had successfully run the New Members' Reception Area and collected the necessary data from all new MPs; successfully managed the Departing Members' Area; collected almost all outstanding debts from MPs by the date of the election; and redesigned IPSA's processes to speed up IPSA's activity and to improve financial management by MPs and their staff.
- The General Election programme had brought into focus various issues which, as a regulator of MPs' costs, IPSA should review. The Board will have an opportunity to consider these issues in more detail over the coming months, as it reviews the Scheme of MPs' Business Costs and Expenses and considers the lessons learned from IPSA's General Election work.

4.2 The Board agreed to note the report.

#### **5. The Board's Programme of Work from July to September 2015**

5.1 The Board noted its programme of work scheduled for the coming months, and discussed the timing and content of a forthcoming workshop on the fundamental review of the Scheme of MPs' Business Costs and Expenses.

5.2 The Board agreed to hold the workshop at its next meeting on 22 July, with the following objectives:

- To take an overall look at how the Scheme is operating and whether it is delivering what IPSA and the legislation intend;
- To look at the Scheme as a whole rather than in parts, to see if the interaction of those parts works well or needs to be changed to fit better; and
- To have recourse to data, such as: that held by IPSA on expenditure patterns over the last five years; information on the regulatory approaches in other sectors; and information about other approaches for claims to expenses, including from the private sector.

**6. Any other business**

- 6.1 The Chairman enquired if there was any other business for report by the Board or the Executive. No further business was raised.

Meeting closed.