

Minutes of a meeting of IPSA's Board

Wednesday 30 November 2016

Present: Ruth Evans, Chairman
Sir Robert Owen
Liz Padmore
Anne Whitaker
Rt. Hon Jenny Willott

In attendance: Marcial Boo, Chief Executive
Naomi Stauber, Chief of Staff
John Sills, Director of Regulation
Alastair Bridges, Director of Corporate Services
Vicky Fox, Director of MP Support Services
Head of Communications
Head of Policy and Assurance (Items 5)
Compliance Officer (Item 8)

Apologies: None

Status: Submitted for approval at the meeting of the Board on 14 December 2016.

Publication: Approved for publication.

1. Welcome and Declarations of Interest

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

2. Minutes of previous meetings and matters arising

Minutes

- 2.1 The Minutes of the meeting of the Board held on 20 October 2016 were approved.

Actions arising from the previous meeting

- 2.2 The Board noted the actions that had been completed since the last meeting. There were no matters arising.

3. Financial Position and Management Accounts for October 2016

- 3.1 IPSA's Director of Corporate Services introduced the report which provided an update on IPSA's financial position as at the end of October 2016. The Board reviewed the report and noted the following key messages:

- Overall, IPSA is forecasting a 6 per cent Resource DEL underspend as at the end of October. The underspend arises mainly on MPs' staff pay, capped expenses including security, IPSA's pay costs and unused contingency and depreciation. The underspend has increased from last month to reflect slower than expected spend on security, in particular.
- IPSA's forecast underspend on capital remains at 27 per cent, with around £0.35m of costs on the IPSA 2017 improvement programme expected to move into the 2017-18 financial year, following the decision to revise the 'go-live' date from April 2017 to October 2017.
- The risk of any breach of IPSA's budget control totals is low. A mid-year re-set of IPSA's budgets was completed in October, leading to a good level of confidence in the revised forecast. Nonetheless, IPSA is continuing to manage a number of risks and opportunities. It is possible that further underspends will arise over the course of the next six months, including on security costs in Subhead A (MPs' pay, staffing and business costs) and capital on Subhead B (IPSA's operational costs).

- IPSA is continuing to improve its financial systems, processes and controls, following a comprehensive review that was conducted last year. The review identified a number of issues to be addressed and the vast majority have been resolved. However, a small number can only be resolved as part of the launch of the new ERP system in October 2017 and have been deferred on that basis.

3.2 The Board noted IPSA's financial position and management accounts for October 2016.

4. IPSA's Policy on the Recovery of Debt and Monies Owed

4.1 IPSA's Director of Corporate Services introduced the report which recommended an amendment to IPSA's existing policy on the recovery of debt and monies owed to clarify how far back in time IPSA will seek to recover debt. The Board noted that, as a regulator, IPSA undertakes retrospective validation and thematic scrutiny of MPs' expenditure on business costs, expenses and salaries as part of its operations function, and its assurance function. A consequence of this is that amounts are sometimes identified which need to be repaid to IPSA by MPs.

4.2 IPSA's existing policy is to seek to recover all amounts owed by MPs on the grounds that the amounts are public money. The caveat is that IPSA will only pursue debt arising after April 2012 on the basis that, prior to this date, IPSA was still in the process of establishing a new regulatory regime with MPs. As such, the Board decided to write off all outstanding sums as at that point and to only recover debt thereafter.

4.3 The Board noted that audit, HMRC standards and best practice across the public sector is to seek to recover all amounts owed going back six years plus the current year. IPSA has been in existence for almost seven years and it is therefore timely to consider its policy on the timeframe within which it will seek to recover debt in future.

4.4 The Board considered the possible circumstances in which an MP might accrue debt or owe IPSA money as a result of an error that IPSA had made. It agreed that, although the presumption should be for IPSA to recover all public money owed, the Chief Executive should have the authority to exercise discretion to write-off any sums owed, or resolve those cases via another route, in exceptional circumstances and on a case by case basis. The Chief Executive agreed, in future, to alert the Board to cases where he is minded to exercise that discretion, such as where the circumstance involves a large amount of money, affects multiple MPs, or may have significant reputational consequences for IPSA or MPs.

4.5 The Board agreed to amend the policy to make clear that, in future, IPSA will seek to recover all amounts owed going back six years plus the current year, in line with the accepted practice by HMRC and others, with the caveat that only debts arising after

April 2013 will be pursued and that the Chief Executive shall exercise discretion where necessary.

5. Compliance Officer's Report

- 5.1 The Compliance Officer for IPSA provided the Board with an update on current cases, including the assessments, investigations and reviews that had been completed since his last report to the Board.
- 5.2 The Chairman noted that Mr Davis was approaching the end of his term of office as the Compliance Officer for IPSA. The Chairman, the Board and the Chief Executive thanked Mr Davis for his work and exceptional service over the last five years.
- 5.2 The Board noted the report.

6. Chief Executive's Report

- 6.1 The Chief Executive introduced a paper setting out the organisation's activities since he last reported to the Board in October. He noted, in particular, that last month has seen steady progress on all fronts: the IPSA 2017 improvement programme remains on schedule and within budget; IPSA's operational KPIs are satisfactory overall; and work is progressing well to support the Board in determining IPSA's new Scheme of Business Costs and Expenses.
- 6.2 The Board reviewed the organisational performance report for October and noted, in particular, that IPSA recorded a further data breach in the last month. The Chief Executive informed the Board that IPSA recently launched its new data breach policy and conducted training for all staff to reaffirm the importance of ensuring that the personal and sensitive data held by the organisation is treated with the utmost care and confidentiality. Whilst the number of breaches has fallen from three to one in the short term, IPSA's executive will continue to carefully monitor this area.
- 6.3 The Board further noted that the staff survey conducted in late 2015 recorded that 60 per cent of IPSA's staff felt engaged, whereas the quarterly staff survey in September 2016 recorded that only 51 per cent felt engaged. It was noted that the IPSA 2017 improvement programme offers a major chance to improve on this, through a greater focus on internal communications and staff events. One such event, on IPSA's future organisational design, took place on 16 November. The objective of the event was to get staff thinking about the need for change, what IPSA might look like in the future and to engage the whole team in the process. Further events will be held over the coming year. The annual staff survey in December will provide an opportunity to assess whether such events have had an effect on staff engagement.
- 6.4 The Board noted IPSA's performance in October 2016, and the list of the Chief Executive's and Chairman's meetings with MPs and officials since the last report.

7. Update on the IPSA 2017 Improvement Programme

- 7.1 The Chief Executive provided an update on the IPSA 2017 improvement programme, noting that all milestones were being met on time and on budget. The organisational design element of the programme was progressing well, and the team were in the process of contacting MPs to seek their assistance with the design and testing of the new system.
- 7.2 The Board noted that the risk register includes two red risks. First, there is a risk that the current process of revalidating the business case shows that the benefits of the programme may not be as high as originally shown. The Board will receive a detailed paper on that matter in January 2017. Second, there is a risk of an early General Election next year, which will necessitate the reallocation of staff time and resource. Both risks, and others included on the register, were being actively managed and mitigated.
- 7.3 The Board noted the update on the IPSA 2017 improvement programme.

8. Comprehensive Review of the MPs' Scheme of Business Costs and Expenses

- 8.1 IPSA's Director of Regulation introduced two papers that addressed specific parts of the review of the MPs' Scheme of Business Costs and Expenses. First, the simplification of rules on travel and second, the employment of connected parties and financial support to MPs' families. The papers presented the findings of the review, including responses to the consultation which ran between 11 May and 24 October 2016.
- 8.2 The Board noted that 65 formal written responses were received. In addition, IPSA launched an online survey designed to make it easier for members of the public and other stakeholders to engage with the consultation. There were 66 responses to that survey. There were also a series of meetings between senior IPSA staff, including IPSA's Board, and over 120 MPs to receive feedback on all aspects of the consultation.
- 8.3 The Board reviewed the report on the simplification of the rules on travel and noted, in particular, that:
- IPSA's aim is to have a Scheme which is easy to understand and to operate. It should support MPs and their staff in undertaking their parliamentary duties while avoiding unnecessary costs to the taxpayer. It should minimise the causes for disputes with MPs over interpretation, especially when IPSA does not provide "pre-approval" of claims, and IPSA's approach to validation, which is risk-based, sometimes requires for the repayment of claims that have previously been funded.

- Travel by MPs and their staff costs in the region of £4m a year. This is a relatively small proportion of the overall cost of over £100m for MPs' business costs and expenses. Nonetheless, the rules for MPs' and MPs' staff travel provide the most obvious opportunity for simplifying the Scheme. Many of the queries that IPSA receives on policy issues relate to travel, primarily because those rules are very detailed in some respects, but not detailed enough to answer all the questions IPSA is asked.
- The consultation asked about a number of specific areas where IPSA could make things simpler and asked for further comments on any part of the travel rules. IPSA did not comment in the consultation on the complex interaction between travel, accommodation eligibility and the London Area Living Payment (LALP), but this did emerge as a recent issue and the Board agreed to address this in the new Scheme.
- The Board considered a number of issues in detail, including: whether the same rules for travel costs should apply to MPs and their staff; whether the current restrictions on foreign travel should be removed; and whether the rule allowing claims for "diverted" journeys should be removed, along with the cost restriction on claims for journeys back to either the MPs' constituencies or Westminster.

8.4 The Board then reviewed the report on the employment of connected parties and support to MPs' families and noted, in particular, that:

- The employment of 'connected parties' by MPs and the financial support provided to MPs' families remain the subject of debate amongst IPSA's stakeholders. They are seen by some as part of the 'package' of support provided by IPSA to enable MPs to do their jobs as well as manage their personal and family lives. Others think that the policies in these areas provide personal gain to MPs and their families at the taxpayers' expense. Opinion is divided.
- Under the current rules, MPs are allowed to employ one connected party with IPSA funding. In March 2010, following responses from MPs, the public, the Committee on Standards in Public Life and others, IPSA's Board consulted on the issue and concluded that the case for a ban had not been made. At that time, there was a consensus that family members of MPs often provide value for money due to their dedication and willingness to work long and anti-social hours. However, some consider that the employment of family members by MPs is out of step with modern employment practice in the public sector and, despite no clear evidence of abuse amongst MPs, they should adhere to those standards and expectations.
- A number of safeguards in respect of the employment of connected parties are already in place. First, MPs may only employ one connected party at any time, unless they employed more than one on 7 May 2010. Second, connected parties may not receive reward and recognition payments. Third, IPSA publishes

annually the name, job title and salary range (expressed in bands of £5,000) for each connected party employed using public funds. Fourth, as with all other employees, those employed after 8 May 2010 must be on IPSA contracts and paid within our pay ranges. The Board considered whether these safeguards were adequate to allay public concern about the practice.

- The Board considered carefully the representations that had been received in relation to MPs' employment of connected parties. It discussed what is expected of a modern employer in terms of fair and open recruitment practices, and discussed whether to make any changes to the practice of employment by MPs of connected parties in the light of both the evidence it had received, and in the context of what the public should rightly expect from their elected representative as an employer of staff.
- The Board noted that IPSA currently provides financial support to MPs' families in two main ways: by funding travel of their dependants between their constituency and London (and, in certain circumstances, their spouses and partners when exercising their caring responsibilities); and by allowing MPs who are eligible for a rental accommodation budget to claim an uplift for each dependant who is routinely resident with them.
- One of the existing 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 IPSA's responsibilities under the Equality Act 2010. The Board noted that MPs' dependants and MPs' spouses should be considered separately, and discussed how much financial support, if any, IPSA should provide for MPs' families in relation to both.

8.5 The Board provided IPSA's Director of Regulation with a steer on each question posed by the consultation on the subject of travel, connected parties and support for MPs' families, and agreed to revisit these initial decisions in the context of all other parts of the new Scheme in the New Year.

9. The Board's Programme of Work for 2016-17

9.1 The Board reviewed and noted its programme of work for the remainder of the 2016-17 financial year.

10. Any other business

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

Meeting closed.