



The Independent Parliamentary Standards Authority: operating the Members' Expenses Scheme

Standard Note: SN/PC/05783

Last updated: 4 February 2011

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The Independent Parliamentary Standards Authority (IPSA) was the subject of a debate in the House of Commons, scheduled in time under the control of the Backbench Business Committee, on 2 December 2010.

This Note provides a brief review of the establishment of IPSA and of its role in setting and paying Members' expenses. On 5 January 2011, IPSA launched its first annual review of the MPs' Expenses Scheme – it sought views on the Scheme. The consultation closes on 11 February 2011.

It also outlines the limited responsibilities of the Government and the House in relation to a body that was expressly established to be independent of both.

Against a background of criticism in the way in which IPSA has tackled its responsibilities, the Note reviews the application that was made to secure a debate on IPSA.

It also provides a brief summary of the debate; and an overview of the *Parliamentary Standards (Amendment) Bill*, which was introduced by Adam Afriyie, who proposed the debate on 2 December on IPSA. Shortly after the debate, the Prime Minister commented that IPSA's system needed to change: his comments and reaction to them are reported.

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1 Background

The Independent Parliamentary Standards Authority (IPSA) was established by the *Parliamentary Standards Act 2009* to move the Parliamentary allowances system in the House of Commons from a system of self-regulation to a system of regulation by an independent body. The decision to establish IPSA was taken by leaders of all parties at a meeting convened by the Speaker of the House of Commons, held on 19 May 2010, at the height of the expenses crisis.

IPSA was originally given responsibility to pay Members' salaries; to prepare the Members' allowances scheme; and to pay allowances to Members of the House of Commons.

Following the Committee on Standards in Public Life's report *MPs' expenses and allowances*,¹ the *Parliamentary Standards Act 2009* was amended (by the *Constitutional Reform and Governance Act 2010*) and IPSA was additionally given the responsibility of determining Members' pay as well as allowances. The provisions doing so have not yet been brought into force.

Further background on the establishment of IPSA is given in the Library Standard Note *The establishment of the Independent Parliamentary Standards Authority*.²

2 The Expenses Scheme

On 7 January 2010, IPSA published a consultation paper on its Expenses Scheme.³ The consultation closed on 11 February 2010; and on 29 March 2010, IPSA's *MPs' Expenses Scheme* was laid before the House of Commons by the Speaker.⁴

In June 2010, IPSA issued a consultation paper entitled *Consultation on Amendments to the MPs' Expenses Scheme Rules*. IPSA explained that it had "identified some anomalies and unintended consequences [of the Scheme] which it wishes to put right",⁵ and that:

This consultation is focusing on amendments to specific rules within the Scheme which have caused concern in the initial operation of the Scheme. The following proposals reflect concerns which have been raised to IPSA by MPs over recent weeks, and our desire to rectify any anomalies which the Scheme currently contains. Any changes adopted will take effect from 7 May 2010, enabling IPSA to address the anomalies and concerns.⁶

Following the consultation, IPSA issued *The MPs' Expenses Scheme: Second Edition*, in July 2010. It was laid before the House by the Speaker on 26 July 2010.⁷ All the rule changes in the Second Edition were applied retrospectively from 7 May 2010.

¹ Committee on Standards in Public Life, *MPs' expenses and allowances*, Twelfth Report, Cm 7724, November 2009

² House of Commons Library Standard Note SN/PC/5167, *The establishment of the Independent Parliamentary Standards Authority*

³ Independent Parliamentary Standards Authority, *MPs' Expenses – a consultation*, 7 January 2010

⁴ Independent Parliamentary Standards Authority, *The MPs' Expenses Scheme*, 29 March 2010, HC 501 2009-10; House of Commons, *Votes and Proceedings*, 29 March 2010, Appendix, Item 31

⁵ Independent Parliamentary Standards Authority, *Consultation on Amendments to the MPs' Expenses Scheme Rules*, IPSA 03, June 2010, para 1.4

⁶ *Ibid*, para 3.2

⁷ Independent Parliamentary Standards Authority, *The MPs' Expenses Scheme: Second Edition*, July 2010, HC 405 2010-11; House of Commons, *Votes and Proceedings*, 26 July 2010, Appendix, Item 57

In November 2010, IPSA announced that consultation on the first annual review of the *MPs' Expenses Scheme* would formally begin January 2011.⁸

Further information on these developments and on the MPs' Expenses Scheme is given in the Library Standard Note *Members' pay and allowances from April 2010*.⁹

2.1 First annual review of the MPs' Expenses Scheme

On 5 January 2011, IPSA issued the *Annual Review of the MPs' Expenses Scheme: Consultation – January 2011*.¹⁰ The consultation closes on 11 February 2011.¹¹

In his foreword to the consultation document, Professor Sir Ian Kennedy, the Chair of IPSA, noted that the MPs' Expenses Scheme had only been in operation for eight months. In that time "Everyone has been getting used to how the rules work out in practice and how services to MPs ... are best provided. Considerable progress has been made, but more needs to be achieved". He referred to IPSA's own review of its approach. He also reminded readers why IPSA had been established and stated that "Public confidence in the payment of expenses is the key outcome to which IPSA is aspiring".¹²

The consultation began by asking questions about the framework of the rules:

Q1. What are your views on the choice between having an Expenses Scheme based on prescriptive rules and a Scheme which relies much more on MPs taking greater personal responsibility for their claims, within a framework of general principles? Both are supported by transparency through publication.¹³

It also asked about their impact on equality and diversity within the House of Commons. It then addressed three "Key Themes" – family issues (residential accommodation and travel by family members); the London area; and running an office. Thereafter, the consultation document reflected the structure of the MPs' Expenses Scheme.

Information on the Leader of the House of Commons' response to the consultation is given in section 7 of this note.

3 Oversight of IPSA

3.1 Ministerial responsibility

Early in the new Parliament, parliamentary questions to the Leader of the House from David Winnick on the administrative structure of IPSA were met with the response that there was no ministerial responsibility for IPSA.¹⁴ However a written ministerial statement by the Prime Minister David Cameron on 2 June 2010 stated that the Deputy Prime Minister would have policy responsibility for IPSA:

⁸ Independent Parliamentary Standards Authority, *Expenses Scheme: new Payment Mechanisms and Review of the Rules*, [letter to Members of Parliament], 9 November 2010, <http://www.parliamentarystandards.org.uk/> [click on "Information for MPs and Staff"; hover over "Communication to MPs"; and then click on "Letter to MPs 091110"]

⁹ House of Commons Library Standard Note SN/PC/5436, *Members' pay and allowances from April 2010*

¹⁰ Independent Parliamentary Standards Authority, *Annual Review of the MPs' Expenses Scheme: Consultation – January 2011*, January 2011

¹¹ *Ibid*, para 192

¹² *Ibid*, p3

¹³ *Ibid*, Q1

¹⁴ HC Deb 2 June 2010 c45w

The Deputy Prime Minister will also have policy responsibility for the Electoral Commission, Boundary Commission and Independent Parliamentary Standards Authority.¹⁵

Ann Clywd raised this apparent discrepancy at Business Questions on 3 June 2010, and received the following response from Sir George Young:

Sir George Young: Yes, he is. I understand the concern that the right hon. Lady has raised, and let me explain the thinking behind this. The Bill setting up IPSA was sponsored by the Ministry of Justice, and any legislation that dealt with IPSA would have to have a Government Department sponsoring it. To that extent, therefore, it is true to say that responsibility for IPSA and all the other bodies falls under the umbrella of the Deputy Prime Minister. However, it is also the case that at the moment IPSA is an independent body, so questions about how much people get paid and how it operates are not ones that Ministers can answer-hence the reply to the hon. Member for Walsall North. Against that background, however, I hope that she will accept that those two apparently conflicting statements can actually be reconciled.¹⁶

3.2 Speaker's Committee for the Independent Parliamentary Standards Authority

The *Parliamentary Standards Act 2009* created the Speaker's Committee for the Independent Parliamentary Standards Authority. The Committee's responsibilities, set out in the statute, are outlined on its website:

The Speaker's Committee ... considers the candidates proposed by the Speaker, following fair and open competition, for the posts of Chair and members of the IPSA and approves IPSA's annual estimate of resources.¹⁷

The Speaker's Committee's responsibilities in relation to IPSA's estimate are set out in detail in the Act:

Funding

22 (1) The IPSA's expenditure is to be paid out of money provided by Parliament.

(2) For each financial year (other than its first financial year) the IPSA must prepare an estimate of the IPSA's use of resources and submit it to the Speaker's Committee for the Independent Parliamentary Standards Authority ("the Committee").

(3) The Committee must review the estimate and decide whether it is satisfied that the estimate is consistent with the efficient and cost-effective discharge by the IPSA of its functions.

(4) If it is not satisfied, the Committee must make such modifications as it considers necessary to achieve the consistency specified under sub-paragraph (3).

(5) Before deciding whether it is satisfied or making modifications, the Committee must consult the Treasury and have regard to any advice given.

(6) After the Committee has reviewed the estimate and made any modifications, the Speaker must lay the estimate before the House of Commons.

¹⁵ HC Deb 2 June 2010 c23-24WMS

¹⁶ HC Deb 3 June 2010 c587

¹⁷ House of Commons, [Speaker's Committee for the Independent Parliamentary Standards Authority](#), [website]

(7) If the Committee does not follow any advice given by the Treasury, or makes any modifications to the estimate, it must prepare a statement of its reasons and the Speaker must lay the statement before the House of Commons.

(8) Any repayments received by the IPSA may be retained by the IPSA and applied by it for the purposes of its functions.¹⁸

The Act does not require the Committee to produce an annual report. However, IPSA is required to do so; and IPSA's report is to be laid before Parliament by the Speaker:

25 (1) As soon as practicable after the end of each financial year, the IPSA must prepare and the Speaker must lay before each House of Parliament a report about the performance of the IPSA's functions during that financial year.

(2) When the Speaker lays such a report, the IPSA must publish it in such manner as it considers appropriate.¹⁹

IPSA's first annual report was laid before the House by the Speaker on 22 November 2010 and published.²⁰ The report covers the period before IPSA took responsibility for paying Members' expenses.

The *Parliamentary Standards Act 2009* provided that the Committee should comprise:

the Speaker of the House of Commons;
the Leader of the House of Commons;
the chair of the Committee on Standards and Privileges; and
five members of the House of Commons who are not Ministers of the Crown, appointed by the House of Commons.²¹

Following a recommendation from the CSPL, membership was widened by the *Constitutional Reform and Governance Act 2010* to include "three lay persons appointed by resolution of the House of Commons", limited to a single fixed-length term, not exceeding five years. The Act defined a lay person as "a person who is not, and has never been, a member of either House of Parliament".²²

Five Members were appointed to the Committee on 23 June 2010. The Speaker and Leader of the House were appointed *ex officio*.²³

Then on 26 January 2011, the House agreed that Hilary Benn who had replaced Rosie Winterton as Shadow Leader of the House should take her place on the Committee. It also agreed to the appointment of the three lay members.²⁴

The current membership of the Speaker's Committee on IPSA is:

The Speaker;
The Leader of the House of Commons – Sir George Young;

¹⁸ *Parliamentary Standards Act 2009* (chapter 13), Schedule 1

¹⁹ *Parliamentary Standards Act 2009* (chapter 13), Schedule 1

²⁰ Independent Parliamentary Standards Authority, *Annual Report and Accounts 2009/10*, 22 November 2010, HC 620 2010-11

²¹ *Parliamentary Standards Act 2009* (chapter 13), Schedule 3

²² *Constitutional Reform and Governance Act 2010* (chapter 25), section 27

²³ HC Deb 23 June 2010 cc398-399 (Kevin Barron was appointed later, after he was elected chair of the Committee on Standards and Privileges.)

²⁴ HC Deb 26 January 2011 cc408-413

The Chair of the Committee on Standards and Privileges – Kevin Barron
Hilary Benn;
Mr Nicholas Brown;
Bob Russell;
Laura Sandys;
Mr Charles Walker;
Dame Janet Gaymer (lay member);
Elizabeth McMeikan (lay member); and
Sir Anthony Holland (lay member).

3.3 Informal liaison group

On 19 January 2011, the Speaker announced the establishment, remit and membership of an informal liaison group for the House of Commons and IPSA:

Mr Speaker: I have a short statement to make on progress towards the establishment of an informal liaison group for the House of Commons and the Independent Parliamentary Standards Authority.

The purpose of the group will be to provide a forum in which Members of Parliament and members of the board and officials of the Independent Parliamentary Standards Authority can, on a consultative basis, raise matters of interest or concern.

Following consultation with the parties in recent weeks, I have invited nine Members of the House to represent the House of Commons on this liaison group. They are the right hon. Member for Newcastle upon Tyne East (Mr Brown), and the hon. Members for Chatham and Aylesford (Tracey Crouch), for Warrington North (Helen Jones), for Milton Keynes North (Mark Lancaster), for Gainsborough (Mr Leigh), for Na h-Eileanan an Iar (Mr MacNeil), for North Cornwall (Dan Rogerson), for Islington South and Finsbury (Emily Thornberry) and for Broxbourne (Mr Walker).

Members who wish to raise matters should be in touch directly with members of the liaison group.²⁵

4 Parliamentary Questions on IPSA

Members are able to table written questions to the Speaker's Committee for the IPSA. At its meeting on 30 June 2010, the Committee agreed to answer written questions from 5 July.²⁶ Questions are answered on behalf of the Committee by Charles Walker. The first question was answered on 7 July 2010.²⁷ Initially Mr Walker answered all questions directly but since 19 October 2010 answers have distinguished between issues for which IPSA is responsible, and responsibilities of the Speaker's Committee. In the former such cases, the answer includes a letter from the interim chief executive of IPSA.²⁸

²⁵ HC Deb 19 January 2011 c821

²⁶ Speakers' Committee for the Independent Parliamentary Standards Authority, [Formal Minutes 2010-11](#), Meeting of 30 June 2010, Item 2

²⁷ HC Deb 7 July 2010 c268W

²⁸ The change was outlined in the first few answers, for example:

Mr Charles Walker: For clarity, future answers will indicate where an issue is the responsibility of the Independent Parliamentary Standards Authority and not of the Speaker's Committee. [HC Deb 19 October 2010 cc681W-682W]

5 Criticism of IPSA

There was considerable critical reaction from Members as to how IPSA was operating, in particular in relation to the treatment of returning staff and the alleged difficulties in obtaining advice from IPSA. There have been several comments on IPSA in Business Questions, for example:

Mr David Winnick (Walsall North) (Lab): As someone who argued in the last Parliament strongly for full and total transparency over Members' claims and opposed the Tory private Member's Bill that would have exempted Parliament from freedom of information legislation, may I ask the Leader of the House whether he is aware that the new system that the Independent Parliamentary Standards Authority has established is deeply bureaucratic and complex, and that it undermines both the work we have been elected to do and that of our staff? Do the chair and chief executive of IPSA not bear a heavy responsibility for discrediting what we all hoped, and certainly the public hoped, would be a new start to end the scandal of what occurred in the previous Parliament?

Sir George Young: I recognise the concern on this issue. I attended a meeting between returning Members and members of IPSA a few days ago, and it was a lively meeting. No one wants to go back to the old, discredited system whereby the House fixed its allowances and they were administered by the House, and it was absolutely right to hand them over to an independent body. None the less, I recognise the legitimate concerns that have been expressed by Members.²⁹

Mr Winnick also initiated a debate in Westminster Hall on the subject of IPSA on 16 June 2010. IPSA issued a response to the debate.³⁰

Despite changes being made in the Scheme guidance, and amendments being made to the Scheme itself, criticism continued.

Adam Afriyie introduced a private Member's bill, the *Parliamentary Standards (Amendment) Bill 2010-11*, as a presentation bill.³¹ His Bill was objected to in the House of Commons on 22 October and 19 November 2010 (and again on 3 December 2010). In part, that explains his application for a debate on IPSA in Backbench Business Committee time. He outlined the effect of the Bill in evidence to the Backbench Business Committee on 25 October:

You may be aware of my private Member's Bill, which seeks to reduce the cost of Parliament by £4 million a year; to remove some of the bureaucracy of IPSA, while maintaining its independence; and to allow Members of Parliament to function more freely, with a new system of remuneration.³²

Mark D'Arcy, the BBC political correspondent, commented on the criticisms of IPSA on his blog. He wrote that "you can still hardly walk 10 feet in Westminster without encountering an MP with a grievance against IPSA".³³ Adam Afriyie told the Backbench Business Committee that "every single MP – we all know it; in the Tea Room or wherever two MPs are gathered –

²⁹ HC Deb 27 May 2010 cc286-287

³⁰ Independent Parliamentary Standards Authority, *Westminster Hall Debate 160610 – our response*, www.parliamentarystandards.org.uk [Click on "Publications", hover over "For the record", and follow the link from there]

³¹ Bill 55 of 2010-11

³² Backbench Business Committee, *Oral Evidence taken before the Backbench business Committee on Monday 25 October 2010*, Q27

³³ Mark D'Arcy, "A perfect storm", *Mark D'Arcy's blog*, 23 November 2010

is talking about this”.³⁴ However, according to Matthew Parris, the former MP, writing in the *Spectator*, “Many MPs ... dare not complain publicly because of the witch-hunting atmosphere that still prevails”. He highlighted difficulties arising from the way in which the rules were being interpreted and argued that problems were exacerbated because those who wished to discuss them “are told to send emails instead”.³⁵

In the process of bidding for the debate on IPSA in time allocated by the Backbench Business Committee (BBCom), both these concerns and some reluctance among MPs to raise them were aired.

5.1 The genesis of the debate on IPSA in Backbench Business time

Adam Afriyie’s *Parliamentary Standards (Amendment) Bill* was objected to when the Orders of the Day for private Members’ bills that had not been debated were read on 22 October 2010.³⁶

On 25 October, he appeared before the BBCom to request a debate on IPSA. He began by outlining the objectives of his Bill, then he argued that:

Payment of MPs, and the terms and conditions under which they work, should be tackled by Parliament and Back Benchers rather than those who are in the pay of the Government.³⁷

He argued that the subject was topical because “the media and the public are interested after the expenses scandals. Every Member of this House is interested because they know how painful it is to operate within the existing system”. He requested that the debate take place “on a substantive motion that asks the Government ... to stand to one side and allow Parliament to make these decisions”.³⁸

He had “spoken to 300 MPs, and if we all ask ourselves, “Do MPs believe that the current system is working to serve Parliament and to serve the people in democracy correctly?” the answer is pretty much unanimously no”. He thought that about 80 may wish to speak in a debate.³⁹

Adam Afriyie returned to the BBCom on 8 November, with a draft motion:

"This House deplores the excessive cost to the taxpayers arising from the expenses system introduced by the IPSA, further regrets that its bureaucratic nature restricts the time available to Members, and their staff, to serve constituents in the conduct of their parliamentary duties for which they were elected. [Commentary in the oral evidence] The House recognises the potential need for a revision of the Parliamentary Standards Act 2009 to enforce the original mandate of the IPSA to be cost-effective and efficient, and we call on Her Majesty’s Government and political party leaders to allow the House the opportunity to put forward and debate measures and to come to a decision

³⁴ Backbench Business Committee, *Oral Evidence taken before the Backbench Business Committee on Monday 8 November 2010*, Q35

³⁵ Matthew Parris, “Take it from a former MP – popular outrage is wrecking parliament”, *Spectator*, 6 November 2010

³⁶ HC Deb 22 October 2010 c1276

³⁷ Backbench Business Committee, *Oral Evidence taken before the Backbench Business Committee on Monday 25 October 2010*, Q27

³⁸ *Ibid*

³⁹ Backbench Business Committee, *Oral Evidence taken before the Backbench Business Committee on Monday 25 October 2010*, Q31; Q30

on these matters [Commentary in the oral evidence] provided there is no additional call on the public purse."⁴⁰

He explained, again, why he was proposing the topic:

My pitch for a debate and this substantive motion with the Backbench Business Committee is that, A, the Government have prevented discussions from going forward by objecting to a private Member's Bill on the subject on a Friday; B, there are no substantive proposals coming forward from party leaders or Government; and C, it is incredibly important that this motion, or some action, is at least begun now, because it will take time for it to be enacted.⁴¹

He also suggested that it would be appropriate to exclude frontbenchers from speaking in the debate.⁴²

On his second appearance before the BBCOM, Mr Afriyie was supported by Nadine Dorries.

On Monday 15 November, Mr Afriyie proposed a debate on IPSA again. He set out why the debate should take place, and why the debate was needed in the near future:

I seek a debate, specifically in Back-Bench time, on a motion that would give party leaders and the Government an opportunity to step back and allow Parliament to reach a judgment on our remuneration and payments to MPs, and how the bureaucracy of the Independent Parliamentary Standards Authority works. There is a lot of support, as you will have seen from the many representations that you have received from those who would like to see the matter debated.

The reason that timing is important is that to put any changes into place, let's say for 1 April next year, perhaps through a statutory instrument-or another form of new scheme prepared by IPSA, even if that does not go as far as legislation-something would need to happen this side of Christmas or we will miss an entire financial year. There is an imperative on time purely because one cannot change these things in two weeks. You're looking at perhaps four weeks for a scheme to be prepared and then perhaps eight weeks for a statutory instrument to be laid. That is quite a long time.⁴³

He reported that there were 40 Members "who support the idea of having a debate. There are far more names of MPs who would wish to participate in the debate". Approximately 20 Members attended the BBCOM meeting to show their support, including the chairs of Parliamentary Labour Party (PLP), the 1922 Committee and the Liberal Democrat Parliamentary Party.⁴⁴

Tony Lloyd, the chair of the PLP, noted that IPSA was reviewing its operations and argued that a debate sooner rather than later would offer "the opportunity to have material influence on the deliberations, for example, of IPSA itself". Graham Brady, the chairman of the 1922 Committee, reported that the 1922 had asked for "people's views about the operation of the existing system". They had found that there was "a strong view that the existing

⁴⁰ Backbench Business Committee, *Oral Evidence taken before the Backbench Business Committee on Monday 8 November 2010*, Q35

⁴¹ *Ibid*

⁴² Backbench Business Committee, *Oral Evidence taken before the Backbench Business Committee on Monday 8 November 2010*, Q41

⁴³ Backbench Business Committee, *Oral Evidence taken before the Backbench Business Committee on Monday 15 November 2010*, Q1

⁴⁴ Backbench Business Committee, *Oral Evidence taken before the Backbench Business Committee on Monday 15 November 2010*, Qq4-6

arrangements are not working as they should and are impacting on hon. Members' ability to serve constituents as we would wish to". Lorely Burt, the chair of the Liberal Democrat Parliamentary Party, echoed "what has been said about the dissatisfaction and the difficulty" However, she expressed concern that the debate could be viewed as Members "whingeing".⁴⁵

The BBCom announced that on 2 December, the House would consider a motion on IPSA:

Motion relating to the Independent Parliamentary Standards Authority (IPSA).

*There is a high level of support amongst backbench Members from both sides of the House for a debate on this subject. The Committee heard oral representations, led by Adam Afriyie, on three occasions and received written representations in support of a debate from over 40 Members.*⁴⁶

5.2 Debate on IPSA (2 December 2010)

The motion in Mr Afriyie's name was initially published in Future Business B: Backbench Business. It and an amendment, tabled by John Mann, were printed on the Order Paper for 2 December 2010:

That this House regrets the unnecessarily high costs and inadequacies of the systems introduced by the Independent Parliamentary Standards Authority (IPSA); calls on the IPSA to introduce a simpler scheme of office expenses and Members' allowances that cuts significantly the administrative costs, reduces the amount of time needed for administration by Members and their staff, does not disadvantage less well-off Members and those with family responsibilities, nor deter Members from seeking reimbursement of the costs of fulfilling their parliamentary duties; and believes that if these objectives are not reflected in a new scheme set out by the IPSA in time for operation by 1 April 2011, the Leader of the House should make time available for the amendment of the Parliamentary Standards Act 2009 to do so.

[Amendment]

Line 1, leave out from 'House' to end and add 'recognises that the establishment of the Independent Parliamentary Standards Authority (IPSA) as an independent body was necessary owing to the inability of Members to establish a transparent, fair and affordable system for reimbursing legitimate expenses; further recognises the huge and appropriate public anger against Members and apologises unreservedly to the British people; trusts that IPSA can continue to develop a fairer and more cost-effective expenses system; offers it the House's full co-operation in making the current system less expensive and time-consuming to administer; and calls on IPSA to introduce a simpler scheme of office expenses and Members' allowances that cuts significantly the administrative costs of the scheme, reduces the amount of time needed for administration by Members and their staff, and does not disadvantage less well-off Members and those with family responsibilities'.⁴⁷

The amendment was not selected for debate.⁴⁸

⁴⁵ Backbench Business Committee, *Oral Evidence taken before the Backbench Business Committee on Monday 15 November 2010*, Qq7-8

⁴⁶ Backbench Business Committee, *Determination of Business in the Chamber for week commencing 29 November*

⁴⁷ House of Commons, *Order Paper*, 2 December 2010

⁴⁸ HC Deb 2 December 2010 c1027

In opening the debate, Mr Afriyie noted that the purpose of the debate was not “to moan about the details of how the existing scheme is working”,⁴⁹ rather he was “looking for the schemes to be simplified. I hope that the motion will give IPSA the licence to do that without our having to bring forward measures”.⁵⁰ Later, he expanded on how IPSA could simplify the scheme by following the approach set out in his Bill and adopting a flat-rate system:

... It would take courage to enact such a simple, straightforward scheme, and I urge IPSA to have the courage to do so. There is nothing more transparent than a flat-rate Members' allowance: everyone can see what it is and everyone can see that every MP gets the same thing.

The current system causes inconvenience and makes things very difficult for Members with families and Members who are less well-off. It also causes problems, because Members are not making claims.⁵¹

In his closing remarks, Mr Afriyie pointed out that his motion would allow the House to bring forward amendments to the scheme from April 2011:

I am begging IPSA please to propose a scheme that sorts the problems out, and I hope that it will. It has the mandate of the House of Commons already, so it can do so. However, the motion states that if a scheme that can be put into operation by 1 April 2011 is not proposed, this place will act-not in our interests, but in the interests of our constituents and Parliament.

I am now on the record as encouraging IPSA to come forward with a scheme, but we must be clear on timing. If a proposal is not forthcoming by, say, mid-January, it will be impossible to introduce a scheme before the beginning of the next financial year. Therefore, if the motion is carried, it is necessary for us to introduce a Bill or a statutory instrument or something, probably this side of Christmas, in case IPSA's proposal is not the right one. Otherwise, we are trapped within the current system, and our constituents will suffer. The costs will be astronomically high for at least another year to a year and a half, and I fear that Members will begin to leave Parliament. The work of Parliament will continue to be impeded unless such changes are made.⁵²

He referred more explicitly to the time constraints on the House implementing changes in a point of order the following day:

... Yesterday the House resolved unanimously that, if needed, the Government would allow time to amend the Parliamentary Standards Act 2009. If an amendment Bill does not come to Committee within the next few weeks, there will not be enough time even to leave that option open.⁵³

Some Members did criticise specific ways in which IPSA was operating,⁵⁴ others argued that the system was expensive and bureaucratic.⁵⁵ In his speech, the Shadow Leader of the House, Hilary Benn identified a “number of issues that have been identified both in this afternoon’s debate and elsewhere”:

⁴⁹ HC Deb 2 December 2010 c1018

⁵⁰ HC Deb 2 December 2010 c1023

⁵¹ HC Deb 2 December 2010 c1025

⁵² HC Deb 2 December 2010 c1026

⁵³ HC Deb 3 December 2010 c1163

⁵⁴ For example, Ann Clwyd said that “Communicating with IPSA is not easy” [HC Deb 2 December 2010 c1029] and

⁵⁵ HC Deb 2 December 2010 c1030

- “the expense of the whole system because of its complexity”;
- “the sheer amount of time it takes compared with the old system”;
- the requirement of MPs to pay bills before claiming – he noted that some invoices were now paid directly by IPSA;
- “budgets set do not reflect in all cases the commitments that MPs already have”;
- “the impact on family life”;
- problems arising because of the definition of London; and
- provisions for extended travel.⁵⁶

However, others expressed some concern about the wording of the motion. John Mann argued that it would break the principle that IPSA should be independent:

... the principle remains: should we cede the authority to determine these matters to IPSA—an independent body—or not? That was the basis on which we legislated, and the motion, which would have been improved by my amendment, which unfortunately has not been selected, breaks that principle.

[...]

if we roll back the principle with this motion, we will be back to where we were on 3 July 2008, and we will be saying that it is for us to decide our pay and conditions. It is precisely that problem that created the system that led to the disregard in which we are still held by the British people.⁵⁷

In his remarks in the debate, Mark Harper, the Parliamentary Secretary, Cabinet Office, argued that there was no need to change the legislation. He also reiterated the Government’s support for the principles of independence and transparency for IPSA:

... what I have heard does not suggest that the legislation necessarily needs to be reviewed. Under the legislation introduced by this House, the expenses system and the way that it operates is a matter for IPSA. No change in legislation is required to be able to deal with the issues that have been raised in the House. Indeed, in the letter that IPSA recently circulated to Members, it said that it will conduct its annual review of the scheme in the new year and will look at the problems that have been experienced by MPs. It specifically refers to the impact of the scheme on family life, which was raised by Members on both sides of the House, and the impact on Members living in the outer reaches of the London area—indeed, in places that most people in this House probably would not consider were in the London area. IPSA has also said that it will balance its requirements for assurance against the administrative burdens on itself and on Members. That is welcome and shows that it is listening.

Under the Parliamentary Standards Act 2009, IPSA is required to consult the Leader of the House as one of its statutory consultees, and the Government are considering how we can use that opportunity to submit evidence to IPSA. As Members will know, my right hon. Friend the Leader of the House is very familiar with the issues raised with him by many MPs, either privately or on the Floor of the House at business questions.

⁵⁶ HC Deb 2 December 2010 cc1060-1062

⁵⁷ HC Deb 2 December 2010 c1034, c1036

The Government strongly support the principles of independence and transparency for IPSA, as does the shadow Leader of the House. The review that IPSA is about to undertake is its opportunity to deliver a system that remains transparent, which is probably the best way of determining that Members behave properly, but is also more efficient and less bureaucratic. I am sure that I speak for Members on both sides of the House in urging IPSA to take that opportunity and deliver a system that improves on what we have today.⁵⁸

At the end of the debate, the House agreed to the motion without a division.⁵⁹

6 Prime Minister's comments on IPSA

In July 2010, at Prime Ministers' Questions, David Cameron was asked about the bureaucracy of IPSA. He argued for its independence but expressed some concern about the bureaucracy:

David T. C. Davies (Monmouth) (Con): As far as I am aware, it is not standard practice in the public sector for workers to fund and equip their offices out of their own pockets, and then to negotiate a bureaucratic obstacle course in order to get the money back-if they are lucky. Can the Prime Minister tell us whether he thinks this a good system for Members of Parliament, or whether it is undermining efforts of MPs in all parts of this House, who want to offer a good service to their constituents?

Hon. Members: Hear, hear!

The Prime Minister: My hon. Friend asks a popular and well-placed question-*[Interruption.]* I will answer him seriously; I think it is important. What we wanted to have and what is necessary is a properly transparent system, a system with proper rules and limits which the public would have confidence in, but what we do not need is an overly bureaucratic and very costly system. I think all those in the Independent Parliamentary Standards Authority need to get a grip of what they are doing, and get a grip of it very fast.⁶⁰

In November 2010, the Deputy Prime Minister, Nick Clegg, restated the importance of the independence of IPSA but acknowledged there were concerns about the way in which IPSA was operating:

Priti Patel (Witham) (Con): Given that the Independent Parliamentary Standards Authority is one of the Deputy Prime Minister's policy responsibilities, what action will he take to ensure that IPSA stops spending hundreds of thousands of taxpayers' pounds on its own public relations and its ever-expanding bureaucracy?

The Deputy Prime Minister: I of course acknowledge that there is a great deal of unease on both sides of the House about how IPSA is operating in practice, which is why it is right that its working practices should be reviewed and, where possible, strengthened and improved. However, the fundamental principle that the administration of our expenses, pay and so on is independent remains exactly right in the wake of the terrible damage done to the House by the expenses scandals in the last Parliament.⁶¹

⁵⁸ HC Deb 2 December 2010 c1066

⁵⁹ HC Deb 2 December 2010 c1074

⁶⁰ HC Deb 14 July 2010 c946

⁶¹ HC Deb 30 November 2010 c654

David Cameron addressed the Conservative backbench 1922 Committee on 15 December 2010, after the debate on IPSA in the House of Commons. The Press Association reported that he made the following comments on IPSA:

The Prime Minister told the 1922 Committee meeting he "recognised that (IPSA) has caused a lot of pain and difficulty", and criticised the new arrangements. "It is anti-family and it is not acceptable," he said. According to aides, Mr Cameron said a "better system" needs to be in place by April 1, otherwise it "would be changed". A spokeswoman for the premier played down the comments afterwards, stressing that Mr Cameron was highlighting issues such as restrictions on MPs using expenses to transport their children to and from the constituency.

Any reforms to be imposed after April were "hypothetical and a long way off". They would also need to be "acceptable to the public", and not increase the overall cost of the expenses system above its current level, the spokeswoman said.⁶²

Following his appearance before the 1922 Committee, David Cameron's comments were the subject of questions from the Lobby at the two press briefings on 16 December 2010. In the morning, his official spokesman said:

Asked what the Prime Minister thought about IPSA having to improve the job it was doing, the Prime Minister's Spokesman (PMS) told the assembled press that the Prime Minister recognised that there had been a lot concerns from all parties about the way the system was operating at the present time. The PMS said that MPs from all parties had been expressing the view that they thought it needed to be reformed. The Prime Minister's concern was that the concerns of MPs were addressed, and addressed reasonably quickly.

On whether the Prime Minister thought that IPSA should be scrapped, the PMS replied that we needed to look at what could be done; there were problems associated with the fact that we had moved to a new system, but they were quite significant problems. MPs across the House had been raising concerns over this.

Put that he wasn't ruling out scrapping IPSA, the PMS said that he was not ruling anything in or out, but the problems needed to be dealt with. This was primarily a Parliamentary matter for the House, rather than for the Government.

On what the Prime Minister meant when he said the system was 'anti-family', the PMS said that he would not get into the detail of what was said in a meeting between Tory MPs.

Asked if the Prime Minister thought that MPs should have two family homes, the PMS replied that the Prime Minister thought there were problems that needed to be sorted out. The PMS added that we were not setting out a Government position. The Prime Minister was expressing the concerns of MPs across the House of Commons.

The PMS said that addressing the problems needed to be done in such a way that retained public confidence in the system. It was important that there were procedures in place that reassured the public that the expenses system was operating in the way it should. People would recall why IPSA was set up in the first instance.

Put that scrapping IPSA was an option, the PMS said that there was not a Government proposal being put forward. This was an issue for Parliament and MPs.⁶³

⁶² "Cameron condemns expenses watchdog", *Press Association*, 16 December 2010; see also Nicholas Watt and Allegra Stratton, "MPs' expenses body must change or be changed, says David Cameron", *Guardian*, 16 December 2010

In the afternoon, the official spokesman said:

Put that IPSA issued a statement saying that it was trying to protect taxpayers money and not the interests of MPs, the PMS said that the House had expressed a view on that issue.⁶⁴

6.1 Reaction to the Prime Minister's comments

On 16 December 2010, "in reaction to the Prime Minister's reported comments to the 1922 Committee on 15 December", IPSA issued the following statement:

IPSA brought an end to the discredited system of the last Parliament and only yesterday there was a further reminder of its failings.

For the first time, we have introduced independent regulation, ending centuries of self regulation by MPs and the House, we have introduced clear new rules and independent verification of each claim made by an MP and we will proactively publish all of these claims. These are the steps the public and Parliament demanded in the wake of the expenses scandal.

When we made the new rules, we gave the public a say in setting them – for the first time ever. And it is worth remembering that all the main parties and political leaders welcomed the rules and the changes we introduced.

From day one, we said we would review the rules each year and in January we will do just that. We will host a public consultation to give all interested parties a chance to have their say on the rules. We have duty to administer a system which is workable and fair to MPs. But we also have an over-riding responsibility to the public. We take very seriously the task of trying to restore public confidence in how MPs are supported by the taxpayer. We will not step back from our duties to the public.⁶⁵

Following David Cameron's comments, Sir Christopher Kelly, the Chairman of the Committee on Standards in Public Life, argued that IPSA should not be abolished. The *Daily Telegraph* reported his comments:

THE new expenses body must not be scrapped because MPs cannot be trusted to run the system themselves, Whitehall's sleaze watchdog said yesterday.

Sir Christopher Kelly spoke out after MPs, including David Cameron, threatened to scrap the tough regime introduced earlier this year amid widespread public concern about the abuse of the system of Commons' allowances.

The Prime Minister backed a motion passed by MPs that orders the Independent Parliamentary Standards Authority (Ipsa), which took over from the discredited Commons fees office in May, to loosen its grip.

If the new body does not "reform" by April 1 it has been put on formal notice that it will have its remit changed significantly or could be abolished altogether.

Sir Christopher, chairman of the committee on standards in public life, said that it would be a "great mistake" to scrap Ipsa.

⁶³ Number 10, [Morning press briefing from 16 December 2010](#)

⁶⁴ Number 10, [Afternoon press briefing from 16 December 2010](#)

⁶⁵ Independent Parliamentary Standards Authority, *Press Release*, 16 December 2010

He warned: "We should not forget that MPs have shown themselves incapable of running the system themselves without it being abused."⁶⁶

Similar sentiments were expressed by Unlock Democracy (which describes itself as "the UK's leading campaign for democracy, rights and freedoms"⁶⁷):

Responding to Prime Minister David Cameron's warning that the Independent Parliamentary Standards Authority (IPSA) has three months to improve or face compulsory changes, political reform group Unlock Democracy says that it is vital that any new system is "independent, transparent and fair".

Following the Downing Street remarks about IPSA, Unlock Democracy director Peter Facey, declared: "IPSA has made mistakes in the past, and does need reforming, however we should not lose sight of these three principles. Otherwise we risk throwing the baby out with the bath water."

He continued: "The Prime Minister and others must accept that this is a public matter and not primarily a parliamentary one as some claim. Following the expenses scandal, instead of waiting for the Kelly Report, IPSA was created by Parliament to be independent of MPs. The public will rightly view with suspicion any measures then brought in by MPs to modify the very institution they were so quick to set up.

"The system certainly needs modifying to ensure MPs are properly reimbursed for legitimate work expenses, but these reforms should not restrict outside levels of scrutiny. Before threatening to scrap a system, the Prime Minister must have clear plans as to what to replace it with. We cannot have a return to the bad old days of the Fees Office which served the interests of parliamentarians rather than the public," said Mr Facey.⁶⁸

7 The Leader of the House of Commons' comments on IPSA

The *Parliamentary Standards Act 2009* states that, in preparing or revising a Members' expenses scheme, IPSA must consult the Leader of the House of Commons.⁶⁹

On 16 December 2010, at Business Questions, following the Prime Minister's comments on IPSA to the 1922 Committee, Sir George Young, the Leader of the House, was asked for "a statement on what the Government plan to about IPSA". Sir George told the House that:

... on IPSA, the position is absolutely clear. We had a useful debate on IPSA-I think on 2 December-and the Government abide by the resolution, passed without Division by the House at that time, that IPSA should be given an opportunity to review the regime and come up with an alternative by 1 April.⁷⁰

On 13 January, following the launch of IPSA's consultation, Sir George restated the position that the House would have to determine whether the outcome of the consultation addressed the House's concerns:

It is important that the review that IPSA has announced takes place. Those who have issues with IPSA should take part in that review and communicate their suggestions for change. It will then be a matter for the House to decide whether IPSA's proposed

⁶⁶ Rosa Prince, "MPs 'can't be trusted on expenses'", *Daily Telegraph*, 18 December 2010

⁶⁷ Unlock Democracy, [Home page](#)

⁶⁸ "MPs' expenses system must serve the public interest, say reformers", *Ekklesia*, 16 December 2010

⁶⁹ *Parliamentary Standards Act 2009* (chapter 13), section 5

⁷⁰ HC Deb 16 December 2010 c1050

changes meet the requirements of the resolution that the House adopted unanimously in December. My hope is that IPSA understands the concern in the House about the current regime, reforms itself and makes proposals that meet the anxieties that my hon. Friend and many others have expressed. That would be an ideal solution, and it would be premature at the moment to look at plan B.⁷¹

On the same day, he confirmed that he would submit evidence to IPSA's consultation.⁷²

On 3 February 2011, the Leader of the House issued a written ministerial statement, in which he confirmed that he had submitted a response to IPSA's consultation. He noted that "Although I am responding as a statutory consultee, it has not been my intention to respond on behalf of the House". He also set out "five key principles that should guide the regime for Members' expenses". They were:

Independence-Members should not determine their own allowances.

Transparency-Public confidence must be maintained through transparent rules and publication of expenses data.

Professionalism-Members should be properly resourced so that they can effectively represent their constituents and perform their parliamentary duties.

Fitness for Purpose-Members from all backgrounds must be able to provide an equal service to their constituents; the system should not deter candidates from less affluent backgrounds from becoming or remaining Members of Parliament, nor adversely affect family life.

Cost-effectiveness-The system should minimise the cost to the taxpayer, both by limiting the amount Members may claim to what is absolutely necessary and by offering simple, cost-effective administration.⁷³

His submission was published on the Office of the Leader of the House of Commons website. In his introductory comments, Sir George wrote:

1. I am submitting this evidence to the first annual review of the MPs' Expenses Scheme in my capacity as Leader of the House of Commons and a statutory consultee under section 5 of the Parliamentary Standards Act 2009. This reflects the debates and exchanges that have taken place in the House and the representations that have been made to me by MPs from all Parties. Individual MP's and Party Groups will be of course be making their own responses to the review.

2. MPs are elected to the House of Commons first and foremost to represent the interests of their constituents and of the nation; they must also hold ministers to account and scrutinise the government's legislative programme in Parliament. Although an MP's heavy workload is by no means unique, the pattern of their working life - requiring them to run two separate offices in London and their constituency - is unusual. To carry out these roles effectively, and to ensure that MPs from all backgrounds can provide an equal service to their constituents, MPs need an appropriate, accessible, efficient and cost-effective expenses system.

3. This is not a personal benefit for MPs. The system should enable them to meet, among other things, the costs of running a constituency office, of engaging effectively with their constituents, of travelling between their constituency and Westminster (and

⁷¹ HC Deb 13 January 2011 c442

⁷² HC Deb 13 January 2011 c434

⁷³ HC Deb 3 February 2011 cc54WS-55WS

to carry out constituency duties in different parts of their constituency), and of employing and equipping staff to support them in their Parliamentary work. MPs who represent constituencies outside London also need to meet the cost of spending a significant part of the week away from their main home. In addition to resourcing MPs to enable them to do their job, the system should not be so complex or intrusive as to divert MPs and their staff from their duties, or from seeking reimbursement for legitimate expenditure.

4. I believe that the current expenses scheme, as designed, implemented and administered by the Independent Parliamentary Standards Authority, is failing in many respects adequately to support MPs to undertake their responsibilities. There are some highly unsatisfactory features of the scheme that are at best distracting, and at worst impeding, MPs from doing their jobs. In addition, some aspects of the new regime are in danger of deterring people from less affluent backgrounds from becoming - and in some cases remaining - Members of Parliament and are also placing undue pressure on some MPs' family lives. This is unsustainable and it would be unacceptable to the House, if Parliament is to perform the task the country expects.

5. I continue to support the principles of independent regulation and transparency. However, it would be unacceptable for any external body to prejudice the service that constituents should as a matter of course expect from their Member of Parliament. I welcome the IPSA's annual review of the Expenses Scheme and the opportunity for the public and MPs to submit evidence to the review. In the light of the resolution passed by the House on 2 December 2010, the House will expect IPSA to recognise the need for substantial change, and come forward with proposals for a simpler and in the long-run more cost-effective system that properly supports all MPs as they go about their duties. Achieving this, given the range of different working practices engaged in by 650 MPs, is not easy; and I recognise whatever decisions IPSA chooses to make on the future of the scheme may necessarily involve balancing competing demands for simplicity, cost-effectiveness, certainty, and robust scrutiny of claims.

6. The Scheme and the associated procedures for submitting, processing, paying and publishing claims were introduced to a challenging timetable. Members of the IPSA's staff have worked hard over the last eight months to implement the new system. This demanding schedule has, however, had some serious unintended consequences and it is essential that the IPSA now take stock and review the system to ensure that the key elements of the new scheme are established, if not actually operational, by 1 April 2011, in order to comply with the resolution passed by the House on 2nd December.

7. I do not intend to respond to each individual question posed in the consultation document but I set out below a series of principles to inform the review process, with the aim of ensuring that any new scheme devised by the IPSA gives MPs the support they need to carry out their jobs effectively, efficiently and in the best interests of their constituents.⁷⁴

He then set out, in more detail, the principles he outlined in his written ministerial statement, and he made some specific proposals for changes to the Scheme.

⁷⁴ Office of the Leader of the House of Commons, *Independent Parliamentary Standards Authority: First Annual Review of the MPs' Expenses Scheme – Submission from the Leader of the House*, 3 February 2011

8 Parliamentary Standards (Amendment) Bill

The *Parliamentary Standards (Amendment) Bill* [Bill 60 of 2010-11] was introduced into the House of Commons on 20 July 2010.⁷⁵ The Bill has not been debated at second reading because time had run out on the four occasions on which it has been on the Order Paper (on 22 October; 19 November; 3 December 2010; and 21 January 2011⁷⁶).

The Bill provides for IPSA to replace most of the allowances in the current *MPs' Expenses Scheme* and the Members' salary with "The Members' Allowance":

The Independent Parliamentary Standards Authority must prepare a scheme which would replace the payment of salaries and certain allowances to MPs provided for in sections 4, 4A and 5 of this Act with a Members' Allowance, as required by the Parliamentary Standards (Amendment) Act 2010".⁷⁷

The Bill specifies how the Members' Allowance is to be calculated; that the level of the allowance should be reviewed in time for the beginning of each new Parliament; that it should provide for regional weighting, according to distance from Westminster; and that it should "be administered with the objective that the total annual cost of administering the scheme by the IPSA is no more than 2.5% of the total value of payments made under the scheme in that year ("the administration costs objective)".⁷⁸ It specifies that separate provision should be made for the payment of Staffing Expenditure and Constituency Office Rental Expenditure, which are provided for under the current Scheme.

Unlike the present Scheme, the Bill provides that the new Scheme should be made by regulations subject to the approval of the House of Commons. The current scheme is made by IPSA, laid by the Speaker and comes into force without any parliamentary consideration.

⁷⁵ HC Deb 20 July 2010 c188

⁷⁶ HC Deb 22 October 2010 c1276; HC Deb 19 November 2010 c1242; HC Deb 3 December 2010 c1163; and 21 January 2011 c1198

⁷⁷ *Parliamentary Standards (Amendment) Bill* [Bill 60 of 2010-11], clause 1(1)

⁷⁸ *Ibid*, clause 1(3)