



Members' allowances from April 2011

Standard Note: SN/PC/05938

Last updated: 15 April 2011

Author: Richard Kelly

Section Parliament and Constitution Centre

The *Parliamentary Standards Act 2009*, which received Royal Assent in July 2009 provided for the establishment of the Independent Parliamentary Standards Authority (IPSA) and gave it the responsibility for paying Members' salaries and allowances; and for preparing a scheme under which allowances are paid.

IPSA published *The MPs' Expenses Scheme: Third Edition* on 25 March 2011. It came in to effect on 1 April 2011. The Third Edition of the Scheme was published following IPSA's first annual review of the Scheme. This note outlines the main features of the Scheme and compares it with the previous edition. It also provides a summary of Expenditure budgets under the various components of the Scheme.

IPSA took responsibility for Members' expenses after the 2010 General Election. Its first MPs' Expenses Scheme was published in March 2010 but following a consultation on amendments to the Scheme in June 2010, a Second Edition (backdated to 7 May 2010) was published in July 2010.

This information is provided to Members of Parliament in support of their parliamentary duties and is not intended to address the specific circumstances of any particular individual. It should not be relied upon as being up to date; the law or policies may have changed since it was last updated; and it should not be relied upon as legal or professional advice or as a substitute for it. A suitably qualified professional should be consulted if specific advice or information is required.

This information is provided subject to [our general terms and conditions](#) which are available online or may be provided on request in hard copy. Authors are available to discuss the content of this briefing with Members and their staff, but not with the general public.

Contents

1	The Independent Parliamentary Standards Authority (IPSA)	3
2	Expenses following the 2010 general election	3
3	IPSA's MPs' Expenses Scheme (Third Edition), for 2011/12	5
3.1	Accommodation Expenditure	5
3.2	London Area Living Payment	8
3.3	Travel and Subsistence	9
3.4	Staffing Expenditure	10
3.5	Office Costs Expenditure	11
3.6	Winding-up Expenditure	12
3.7	Start-up Expenditure	12
3.8	Miscellaneous Expenses	13
	Appendix 1: London Area constituencies	14
	Appendix 2: IPSA MPs' expenses scheme – summary 2010/11	16

1 The Independent Parliamentary Standards Authority (IPSA)

The *Parliamentary Standards Act 2009*, which received Royal Assent in July 2009 provided for the establishment of the Independent Parliamentary Standards Authority (IPSA) and gave it the responsibility for paying Members' salaries and allowances; and for preparing a scheme under which allowances are paid.

At present, Members' salaries are paid by IPSA in accordance with a resolution of the House of 21 March 2011.¹

The *Parliamentary Standards Act 2009* was enacted before the Committee on Standards in Public Life completed its review of Members' Allowances. It made a number of recommendations that required amendments to the Act, and the previous Government brought forward amendments in the *Constitutional Reform and Governance Act 2010*, including provisions that would transfer responsibility for determining Members' salaries from the House to IPSA. The Coalition Government has confirmed its intention to commence this provision.²

Information on Members' salaries from 1 April 2011 can be found in the Library Standard Note *Members' pay from April 2011*.³

2 Expenses following the 2010 general election

Under the provisions of the *Parliamentary Standards Act 2009*, IPSA has to prepare and regularly review and revise an allowances scheme for Members of Parliament. IPSA is also responsible for paying allowances under the Scheme it prepares.

The IPSA Board was appointed in December 2009; its interim chief executive was appointed in September 2009. In January 2010, it published a consultation paper on its Expenses Scheme. On 29 March 2010, IPSA's *MPs' Expenses Scheme* was laid before the House of Commons by the Speaker. It came into force on the day after the 2010 General Election (7 May 2010).⁴ Until then the House of Commons continued to administer Members' allowances.

IPSA was given a statutory duty to prepare an "MPs' allowances scheme" in section 5 of the *Parliamentary Standards Act 2009*. In fulfilling that statutory duty it was required to consult:

- (a) the Speaker of the House of Commons,
- (b) the Committee on Standards in Public Life,
- (c) the Leader of the House of Commons,
- (d) any committee of the House of Commons nominated by the Speaker,
- (e) members of the House of Commons,
- (f) the Review Body on Senior Salaries,
- (g) Her Majesty's Revenue and Customs,
- (h) the Treasury, and
- (i) any other person the IPSA considers appropriate.⁵

¹ HC Deb 21 March 2011 cc807-824

² HC Deb 21 March 2011 c809

³ House of Commons Library Standard Note, *Members' pay from April 2011*, SN/PC/5837

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 *Parliamentary Standards Act 2009* (chapter 13), section 5(4)

IPSA issued its initial consultation, *MPs' Expenses – a consultation*, on 7 January 2010.⁶ The consultation closed on 11 February 2010. A report on the consultation was annexed to the *MPs' Expenses Scheme*.⁷

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”,⁸ 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.⁹

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 2010.¹⁰ All the rule changes in the Second Edition were applied retrospectively from 7 May 2010.

In the Foreword to the first edition of *The MPs' Expenses Scheme*, IPSA confirmed that it would revise the MPs' Expenses Scheme annually.¹¹ On 5 January 2011, it launched a consultation ahead of a revised Scheme coming into force on 1 April 2011.¹² The consultation closed on 11 February 2011 and the Speaker laid the revised Scheme – *The MPs' Expenses Scheme: Third Edition* – before the House on 24 March 2011.¹³ Alongside the Third Edition of the Scheme, IPSA also published its *Annual Review of MPs' Expenses Scheme 2011*, which included:

- A foreword by the Board of IPSA;
- A note on the evolution of the Scheme
- The MPs' Expenses Scheme: Third Edition, including guidance (the Scheme was published separately as HC 890 2010-11);
- A report on the consultation of January-February 2011; and
- An equality impact assessment of the MPs' Expenses Scheme.¹⁴

⁶ Independent Parliamentary Standards Authority, *MPs' Expenses – a consultation*, 7 January 2010

⁷ Independent Parliamentary Standards Authority, *The MPs' Expenses Scheme*, 29 March 2010, HC 501 2009-10

⁸ Independent Parliamentary Standards Authority, *Consultation on Amendments to the MPs' Expenses Scheme Rules*, IPSA 03, June 2010, para 1.4

⁹ *Ibid*, para 3.2

¹⁰ 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

¹¹ Independent Parliamentary Standards Authority, *The MPs' Expenses Scheme*, 29 March 2010, HC 501 2009-10, p3

¹² Independent Parliamentary Standards Authority, *Annual Review of the MPs' Expenses Scheme: Consultation – January 2011*, January 2011

¹³ Independent Parliamentary Standards Authority, *The MPs' Expenses Scheme: Third Edition*, March 2011, HC 890 2010-11; House of Commons, *Votes and Proceedings*, 24 March 2011, Appendix, Item 9

¹⁴ Independent Parliamentary Standards Authority, *Annual Review of MPs' Expenses Scheme 2011*, March 2011

3 IPSA's MPs' Expenses Scheme (Third Edition), for 2011/12

IPSA's *MPs' Expenses Scheme Third Edition*, its determination of Members' expenses under the *Parliamentary Standards Act 2009*, came into force on 1 April 2011 (para 3.7). It comprises four parts, covering conditions, working from two locations, office support and other support; three schedules; and three annexes.¹⁵ After setting out details of processes and general conditions, the scheme describes the different expenses that IPSA will reimburse. The text below is based on the Third Edition of the Scheme but changes from 2010/11 are noted.

From 1 April 2011, Members are allowed to delegate the submission of claims to a designated proxy.

From November 2010, Members were able to use a payment card for certain payments.¹⁶ A travelcard had been available for longer. Annex C of the *MPs' Expenses Scheme: Third Edition* sets out the conditions of use for the payment card.

3.1 Accommodation Expenditure

Under the IPSA scheme, Accommodation Expenditure is not payable to London Area MPs or those who occupy 'grace and favour' accommodation.¹⁷ Accommodation Expenditure will only cover rent or hotel accommodation and associated expenditure; and for a transitional period, until 31 August 2012, mortgage interest (for MPs who had claimed mortgage costs under the House of Commons allowances scheme). The scheme set budgets for non-London Area MPs renting in the London area. The London Area constituencies are listed in Appendix 1 of this Note. Thirty one constituencies that were defined as London Area seats in 2010/11 have been re-defined as non-London Area in 2011/12 (see below).

For Members renting in the London area, the annual Accommodation Expenditure budget for 2011/12 is **£19,900**.¹⁸ The previous limit for rental payments, within the overall limit has been removed.¹⁹

In its Report on the Consultation, IPSA commented that "From the research into rental rates in London, IPSA is not persuaded that there is justification to raise the Accommodation Expenditure limit in London". It reported data that showed that it was possible to rent a one-bedroom property in 76 post-code areas in London within the limit of £17,400 for rental accommodation in 2010/11.²⁰ However, IPSA then explained that it had removed the rental limit from within the overall budget:

... This is both to simplify the provisions and to add flexibility for MPs at no higher cost to the taxpayer, as the overall budget limits will not be increased. This simplification will apply to the rental limits both in the London Area and elsewhere.²¹

¹⁵ Independent Parliamentary Standards Authority, *The MPs' Expenses Scheme: Third Edition*, April 2011, 25 March 2011, HC 890 2010-11 [IPSA, *Third Edition*]

¹⁶ Independent Parliamentary Standards Authority, *Expenses Scheme: New Payment Mechanisms and Review of Rules*, Letter from IPSA Chief Executive to Members of Parliament, 9 November 2010

¹⁷ IPSA, *Third Edition*, para 4.2

¹⁸ IPSA, *Third Edition*, para 4.13

¹⁹ Independent Parliamentary Standards Authority, *The MPs' Expenses Scheme: Second Edition*, July 2010, 26 July 2010, HC 405 2010-11 [IPSA, *Second Edition*], paras 5.9-5.10

²⁰ Independent Parliamentary Standards Authority, *Annual Review of MPs' Expenses Scheme 2011*, "Report on the Consultation of January-February 2011" [IPSA, *Consultation Report 2011*], March 2011, para 7.6

²¹ *Ibid*, para 7.7

As in 2010/11, budgets for Members claiming Accommodation Expenditure in constituencies, are lower. Each eligible constituency is allocated to one of five bands. The total budget limit, in 2011/12 (unchanged from 2010/11), for each band is:

Band A	£15,050
Band B	£13,655
Band C	£12,261
Band D	£10,866
Band E	£9,472

As for accommodation expenditure in London, limits for rental payments within this global figure are no longer set.²²

IPSA specified that a lower budget of **£17,500** will be available for those Members who continue to claim for mortgage interest. There is no longer a limit within this figure for mortgage interest expenditure.²³ Any Member, including London Area Members, who received mortgage interest in respect of their second home allowance can continue to claim mortgage interest until 31 August 2012 at the latest.²⁴

The Scheme provides that MPs who share rental accommodation will be entitled to the full Accommodation Expenditure budget.²⁵ This is a change from 2010/11, when:

5.14 If two eligible Members elect to share rental accommodation, that intention shall be registered with IPSA when an application for expenses relating to the shared property is made. Throughout the duration of such arrangements, the combined Accommodation Expenses budget for those two Members is limited to four thirds of one Member's budget.

5.15 For any subsequent eligible MPs who elect to share this accommodation, the combined Accommodation Expenses budget for all of the MPs sharing the accommodation is to be increased by two thirds of one MP's budget.²⁶

In its Consultation, IPSA asked, "Is the two-thirds rule acting as a disincentive to sharing?" IPSA reported a mixed response to the consultation and then drew the following conclusions:

7.15 This rule provided that where two MPs share a residence, they are together entitled to fourthirds of the accommodation budget. This reflected the generally lower costs of sharing accommodation. There is evidence that limiting the expenses available when two MPs share accommodation to four-third is discouraging MPs from sharing. The numbers sharing accommodation are low, and IPSA is aware that some MPs who were sharing have since extricated themselves from their lease because they found their budget insufficient. This is contrary to the intention of the rule, which was simply to recognise the often lower costs of sharing without discouraging this lower cost option.

7.16 IPSA does not consider the four-thirds rule to be achieving its aim. It unnecessarily negatively impacts on a small number of MPs, while saving the taxpayer very little money. We have therefore abolished the four-thirds rule and will allow MPs who share accommodation to have access to their full accommodation budget. These

²² IPSA, *Third Edition*, paras 4.14-4.15, Annex B; IPSA, *Second Edition*, para 5.11 and Guidance

²³ IPSA, *Third Edition*, para 4.17

²⁴ IPSA, *Second Edition*, paras 5.12-5.13

²⁵ IPSA, *Third Edition*, paras 4.19-4.20

²⁶ IPSA, *Second Edition*, paras 5.14-5.15

MPs will still only be able to claim for the costs they actually incur, so if two MPs share the cost of their accommodation equally, each MP would only be able to claim 50% of the total.²⁷

Members with caring responsibilities can claim additional budgets: eligibility depends on circumstances. Following its review of the Scheme, IPSA revised the definition it applied to determine eligibility for additional budgets in relation to parental responsibility. The additional budget limits remains at **£2,425** per dependent. Under the Scheme in 2011/12:

4.22 For the purposes of this Scheme MPs will be deemed to have caring responsibilities where they:

- a. have parental responsibility for a dependent child of up to the age of 16, or up to the age of 18 if in full-time education; or
- b. are the sole carer for a dependent child in full-time education, of up to the age of 21 years; or
- c. are the primary carer for a family member in receipt of one of the following benefits:
 - i. Attendance Allowance;
 - ii. Disability Living Allowance at the middle or highest rate for personal care; or
 - iii. Constant Attendance Allowance at or above the maximum rate with an Industrial Injuries Disablement Benefit, or basic (full day) rate with a War Disablement Pension.²⁸

Previously only Members with “a dependent child up to the age of five years”, rather than under 16 (or 18), were deemed to have parental responsibilities; rules for sole carer and primary carer are unchanged.²⁹

In its Report on the Consultation, IPSA reported that it received responses calling for no change; calling for the provision to be discarded – “generally based on the argument that most employees do not receive accommodation expenses for their families”;³⁰ but the most prevalent view was that the cut-off should be when the child reached 18. IPSA’s position following the consultation was that:

2.6 IPSA has limited hard evidence on the number of MPs and their dependants affected by the rules on caring responsibilities and accommodation. It does not hold data on the number of MPs with children, although it does have details of MPs claiming the additional accommodation budget and travel costs for their dependants. IPSA asked MPs to provide this information for a survey conducted for the purposes of its Equality Impact Assessment, but only 6.8% of MPs replied.

2.7 Nonetheless there is anecdotal evidence from MPs that the cut-off of five years old for claiming additional accommodation expenses is having a negative impact on their family life. The approach was derived from the view that children above this age bracket would routinely stay close to their school rather than travel with the MP to and from London or a constituency home. IPSA is now persuaded that this rationale assumes a level of uniformity about the way MPs organise their personal life that cannot be sustained.

²⁷ IPSA, *Consultation Report 2011*, paras 7.15-7.16

²⁸ IPSA, *Third Edition*, para 4.22

²⁹ IPSA, *Second Edition*, para 5.18

³⁰ IPSA, *Consultation Report 2011*, para 2.3

2.8 IPSA has therefore extended the eligibility to claim for additional accommodation expenses for caring responsibilities. Eligibility will now extend to all children up to the age of 16, or 18 if they are in full-time education. There is no change to the definition of other dependants.

2.9 MPs will only be eligible to claim these additional accommodation expenses if those dependants routinely reside at the accommodation. This is to allay any public concern that public funds might be used throughout the year to satisfy an occasional need.³¹

Members choosing not to rent accommodation can claim for hotel accommodation, within the following limits:

In the London Area	£150 per night (previously £130 per night)
Elsewhere in the United Kingdom	£120 per night (previously £105 per night) ³²

In its Report on the Consultation, IPSA concluded that compared with the UK's devolved legislatures, IPSA had the "lowest cap for hotels in the London Area", and that while the £130 limit for booking hotels in advance was adequate, "availability within budget decreased dramatically when trying to book for the same day". It raised the London limit to £150, in line with limits for the Northern Irish and Welsh Assemblies. It also said that "similar arguments apply to the budget limits that apply for hotels outside the London Area".³³

3.2 London Area Living Payment

London Area MPs and non-London Area MPs, who have informed IPSA of their intention not to claim for accommodation expenses, may claim the London Area Living Payment. In 2011/12, the London Area Living payment is limited to **£3,760** per financial year, unchanged from 2010/11. The number of constituencies in the London area was reduced in 2011/12. Additionally, from 2011/12, MPs representing certain constituencies (outside Greater London) may claim an additional £1,330 per annum in London Area Living Payment.³⁴ A list of London area constituencies, in 2010/11, is given in Appendix 1. It is annotated to show the reduction in the number of London area constituencies and the constituencies which qualify for the additional payment.

In its consultation, IPSA asked about the London Area. In the original Scheme, it had defined the London Area as constituencies within 20 miles of Westminster or from which it was possible to commute within 60 minutes at rush hour. In the Report on its Consultation, IPSA restated that defining the London Area in terms of a reasonable commute was fundamental to the Scheme's principle of treating Members, in the matter of expenses, in the same manner as ordinary citizens. However, it concluded that:

With the benefit of nearly a year's operation of the Scheme, IPSA considers the arguments against basing the London Area on a 60 minute commute to be persuasive. The rule does not accurately reflect an MP's actual commute, and does not allow for rail timetable changes, differences in transfer times between stations, and other variations depending on the time of day and whether the travel is at peak time. For these reasons, IPSA favours a geographical definition; geography provides immutability.³⁵

³¹ IPSA, *Consultation Report 2011*, paras 2.6-2.9

³² IPSA, *Second Edition*, para 5.22; IPSA, *Third Edition*, para 4.27

³³ IPSA, *Consultation Report 2011*, paras 7.21-7.22

³⁴ IPSA, *Second Edition*, Part 6; IPSA, *Third Edition*, Chapter 5

³⁵ IPSA, *Consultation Report 2011*, para 3.8

IPSA continued to consider a definition of the London Area based on Transport for London zones 1-6 was “too small”; nor did it consider that the London Boroughs provided a “suitable area”, as “It is normal for members of the public to commute from outside these areas, and the same should apply to MPs”.³⁶ It concluded that:

3.10 IPSA has therefore decided to base the London Area on one clear criterion: whether part of the constituency is within 20 miles of Parliament. A commute of 20 miles by whatever means is reasonable, and the use of a clear geographical boundary eliminates the problems outlined in the above two paragraphs. This boundary has, however, thrown up a small number of anomalies: constituencies where the amount within the 20 mile limit is so small as to render it unfair to treat the whole as being part of the London Area. This affects six constituencies, which are not in the London Area despite a minuscule part of their footprint being within 20 miles of Parliament. These six are Chesham and Amersham, Gravesham, Hemel Hempstead, Hitchin and Harpenden, South Basildon and East Thurrock, and Woking. The list of constituencies that *are* within the London Area is given in Annex B.

3.11 It is a truism that having a boundary means one constituency will be in it and the MP unable to claim for accommodation expenses, while its neighbour will be outside it and the MP able to claim. The difference between the two may be as little as a few miles. Nonetheless, a boundary must be in place and IPSA is confident that one based on a distance is to be preferred.³⁷

In addition, although IPSA was not persuaded that there were grounds for increasing the London Area Living Payment generally, a distinction could be made between MPs representing seats in Greater London and others within the IPSA London Area:

These outer London Area MPs face demonstrably higher commuting costs than those within Greater London, averaging around £1,300 per year. In order to make the contribution that the LALP provides fair across the London Area, IPSA has therefore introduced a new rate for the outer London Area MPs. These MPs may claim a LALP of £5,090, while the MPs within Greater London may continue to claim £3,760.³⁸

3.3 Travel and Subsistence

The main conditions and limits on travel are unchanged, although the Third Edition of the Scheme sets out the circumstances in which extended travel can be claimed, previously they were included in guidance.

Motor mileage rates are to be set out in the Scheme, previously they were included in guidance.

The IPSA Scheme makes provision for travel by Members’ staff and family members.

It also provides for subsistence expenses in certain circumstances. When travelling and staying away from either home or the London Area as a result of parliamentary functions, expenses for meals (within limits) can be claimed. Provisions are also made for meals when the House sits beyond 7.30pm. When the House “sits late or when MPs undertake their parliamentary functions in the House of Commons until late at night, MPs may use their discretion in claiming for reimbursement of taxi fares for journeys from the House of Commons to a London Area residence, or for the cost of an overnight stay in a hotel. Taxis

³⁶ IPSA, *Consultation Report 2011*, para 3.9

³⁷ IPSA, *Consultation Report 2011*, paras 3.10-3.11

³⁸ IPSA, *Consultation Report 2011*, para 3.16

will be subject to an upper limit of £80 for each such journey. Hotels will be subject to an upper limit of £150 per night”.³⁹

3.4 Staffing Expenditure

A maximum budget of **£115,000** (£109,548 in 2010/11) is available to meet the following costs relating to staffing (paragraphs (f), (g) and (h) did not appear in the Second Edition of the Scheme):

- (a) Staff salaries, employers’ contributions to National Insurance and employers’ contributions to pension schemes;
- (b) Payments to pooled staffing resources;
- (c) Payments for bought-in services;
- (d) Overtime payments, to the extent that these are specified in staff’s terms and conditions;
- (e) Payments for childcare vouchers for staff or other payments by way of salary sacrifice schemes.
- (f) modest reward and recognition payments (but these may not be claimed in respect of any connected parties);
- (g) one-off health and welfare costs associated with provision of staffing support, such as eyesight tests and occupational health assessments;
- (h) costs associated with apprenticeships supported by the National Apprenticeship Service; and
- (i) The incidental expenses of interns and volunteers (as set out in paragraph 7.10).⁴⁰

Under the Scheme, Members are limited to employing one “connected party” (see Box 1), unless arrangements to employ more than one such person were in place when the Scheme came into effect:

Staffing Expenditure may only be claimed for the salary of one employee who is a connected party, unless an MP employed more than one connected party on 7 May 2010. In that case the MP may continue to employ these connected parties until the parties in question cease to be employed or otherwise to provide staffing assistance.⁴¹

Box 1: IPSA’s definition of a connected person

34. We define a “connected party” as:

- (a) a spouse, civil partner or cohabiting partner of the member;
- (b) a parent, child, grandparent, grandchild, sibling, uncle, aunt, nephew or niece of the member or of a spouse, civil partner or cohabiting partner of the member; or
- (c) an individual or organisation where there exists a relationship as set out in the Companies Act 2006

Source: Independent Parliamentary Standards Authority, *The MPs’ Expenses Scheme*, 29 March 2010, HC 501 2009-1, Summary of the Scheme, para 34

³⁹ IPSA, *Third Edition*, paras 9.25-9.37

⁴⁰ IPSA, *Third Edition*, para 7.3

⁴¹ IPSA, *Third Edition*, para 7.11

3.5 Office Costs Expenditure

A single budget for Office Costs Expenditure (OCE) replaced separate budgets for Constituency Office Rental Expenditure and General Administrative Expenditure. IPSA summarised the scope of OCE:

6.1 Office Costs Expenditure is provided to meet the costs of renting, equipping and running an MP's office or offices and surgeries, where these costs are not claimable from other budgets under this Scheme, or from other sources.

[...]

6.6 Office Costs Expenditure may only be claimed for the performance of parliamentary functions. It may not be claimed for:

- a. any alcoholic drinks;
- b. stationery provided by the House of Commons;
- c. newsletters;
- d. funding any material that contains a party political logo or emblem;
- e. personal accountancy or tax advice; or
- f. producing or publishing any material which could be construed as campaign expenditure within the scope of the Political Parties, Elections and Referendums Act 2000.⁴²

In 2011/12, a budget limit of **£24,000** applies for London MPs and **£21,500** for non-London Area MPs.

Previous limits were:

Constituency Office Rental Expenditure (CORE)

For London Area MPs	£12,761 per annum
For non-London Area MPs	£10,663 per annum

General Administrative Expenditure (GAE) £10,394 per annum

In its consultation, IPSA asked whether the CORE and GAE budgets should be merged. It was persuaded that they should be. IPSA was confident that “combining the budgets will not reduce transparency and accountability”. The OCE budget was set at different levels for London and non-London Area MPs, reflecting the fact that CORE had differed between the two areas.⁴³

IPSA concluded that most MPs had been able to manage within CORE budget limits and that the merger of CORE and GAE would provide enough flexibility for those who could not. It therefore concluded not to increase the CORE element of the new budget but increased the GAE element “to cater for inflation”.⁴⁴

IPSA also decided to remove the list of allowable expenditure from the Scheme:

⁴² IPSA, *Third Edition*, paras 6.1 and 6.6

⁴³ IPSA, *Consultation Report 2011*, paras 5.5-5.6

⁴⁴ IPSA, *Consultation Report 2011*, paras 5.9-5.10, 5.17

The second key message is that the list of allowable expenditure under this budget that was given in the Scheme was, in practice, unhelpful. Being a non-exclusive list, it was not meant to cover all possible expenditure, but the mere presence of the list created the impression that if an item was not on it then it could not be claimed. The list has therefore been removed from the new edition of the Scheme. Instead, MPs have discretion to decide how to spend their Office Costs Expenditure budget, within certain constraints. The costs must be within the purpose of the budget, which is to meet the costs of renting, equipping and running an MP's office or offices and surgeries, where these costs are not claimable from other budgets under this Scheme, or from other sources. Further, IPSA will not reimburse the cost of newsletters, campaign expenditure, any political expenditure, personal accountancy or tax advice, or goods or services from connected parties. Within these parameters, the decision is left with individual MPs about how to allocate and spend their Office Costs Expenditure budget to best maintain their office and provide services to their constituents.⁴⁵

3.6 Winding-up Expenditure

IPSA state that "Winding-Up Expenditure is designed to meet the cost of completing the outstanding parliamentary functions of a person who ceases to be an MP". Winding-up Expenditure is payable for two months after a person ceased to be a Member, and is limited to **£46,500** for London Area MPs and **£45,500** for non-London Area MPs. The costs of staff redundancy payments will be met from the contingency fund.⁴⁶ (The previous limit, which did not discriminate between London and non-London MPs was £40,609.⁴⁷)

The limit for Winding-UP Expenses in 2010/11 was based on "three months worth of office-related budgets (CORE, GAE and Staffing Expenditure)". IPSA concluded that this level appeared to be appropriate. However, IPSA noted that this could cause difficulties in some cases:

9.4 Where an MP has members of staff who are paid towards the top of their pay scales, there is a risk that their redundancy payments will absorb the majority of the winding up budget, leaving little for the remaining costs. IPSA will therefore move the winding up costs relating to staff redundancies to the Contingency Fund. This mirrors the position if a staff member is made redundant during the year, when the costs are met from the Contingency Fund.

9.5 With this alteration, the winding up budget limit will be based on three months' worth of the Office Costs Expenditure budget. For London Area MPs, this is £46,500; for non-London Area MPs, it is £45,500.⁴⁸

3.7 Start-up Expenditure

A new expenditure heading, Start-up Expenditure was introduced in 2011/12, it is available to Members elected after 1 April 2011.⁴⁹ In the Scheme, IPSA set the following rules on Start-up Expenditure:

Purpose and Eligibility

8.1 Start-Up Expenditure is designed to meet the costs of setting up one or more constituency offices as a new MP.

⁴⁵ IPSA, *Consultation Report 2011*, para 5.15

⁴⁶ IPSA, *Third Edition*, paras 8.5-8.10

⁴⁷ IPSA, *Second Edition*, paras 11.1-11.3 and 11.5

⁴⁸ IPSA, *Consultation Report 2011*, paras 9.4-9.5

⁴⁹ IPSA, *Consultation Report 2011*, para 5.22

8.2 Start-Up Expenditure is available for MPs elected to Parliament for the first time for a particular constituency. Notwithstanding any budgetary limit applicable, IPSA may in its discretion limit the Start-Up Expenditure Budget for individual MPs.

Duration and Limit

8.3 The Start-up Expenditure budget is set at £6,000 and lasts for 365 days from the day after the date of election of the MP.

8.4 Notwithstanding paragraph 3.10, if a new MP has not exhausted the Start-Up budget by the end of the financial year and part of the 365 day period remains, the remaining budget will be rolled over into the next financial year. Any unspent funds will expire 365 days after the day after the date of the MP's election.⁵⁰

In the consultation exercise, IPSA asked "should there be a separate start-up budget for new MPs?". It reported from the exercise that around 20 MPs responded to the question and all "argued that a start-up budget should be provided to cover the up-front costs of establishing an office". IPSA also reported that "the public responses were also broadly in favour of a start-up budget being provided to new MPs".⁵¹

IPSA accordingly agreed, and explained that:

5.21 The evidence from the expenses system demonstrates that new MPs do face initial start-up costs that cannot always be covered by the standard GAE budget. During 2010-11, for example, over 20 new MPs have been given an average of around £4,000 from the Contingency Fund to cover these costs, with the highest requests being in the region of £6,000. It is clear that IPSA does need to make separate provision for new MPs.

5.22 Consequently, all new MPs from 1 April 2011 onwards will have access to a budget of £6,000 to cover their start-up costs. This amount will cover the vast majority of claims made to the Contingency Fund this year. The budget will be available for one calendar year only from the date after their election. It must be used for the fixed or one-off costs associated with establishing an office, and will exclude the purchase of consumables or any ongoing resource costs.

5.23 As with all elements of the Scheme, IPSA encourages MPs to consider value for money when establishing their office. If they are able to make use of equipment left by their predecessor, then they should do so. IPSA will not, however, require them to do so as each new MP needs the flexibility to set up the office they think will serve their constituents best. For the same reason, IPSA is not attracted to the idea of a package of office furniture and equipment being given to new MPs. While this has the benefit of simplicity, it is also highly inflexible and would not give any opportunity to realise potential savings from taking over the equipment of the former MP.⁵²

3.8 Miscellaneous Expenses

Additional expenses to cover the following circumstances are payable subject to various conditions: Disability assistance; Security assistance; Insurance; Contingency payments; Necessary financial assistance.

⁵⁰ IPSA, *Third Edition*, paras 8.1-8.4

⁵¹ IPSA, *Consultation Report 2011*, paras 5.18-5.20

⁵² IPSA, *consultation Report 2011*, paras 5.21-5.23

Appendix 1: London Area constituencies

In its rules on Accommodation Expenditure, IPSA states that it is payable only to non-London Area MPs. The definition of the London Area changed from the beginning of April 2011. The following constituencies were London Area constituencies in 2010/11 (128 in total).

The 97 that are numbered were London Area constituencies from April 2011. Those in **emboldened text** are eligible for an addition to the London Area Living Payment.

- | | | | |
|-----|--------------------------------|-----|---------------------------------|
| | Aldershot | 37. | Erith & Thamesmead |
| 1. | Barking | 38. | Esher & Walton |
| | Basildon & Billericay | 39. | Feltham & Heston |
| | Basingstoke | 40. | Finchley & Golders Green |
| 2. | Battersea | | Gravesham |
| 3. | Beaconsfield | 41. | Greenwich & Woolwich |
| 4. | Beckenham | | Guildford |
| 5. | Bermondsey & Old Southwark | 42. | Hackney North & Stoke Newington |
| 6. | Bethnal Green & Bow | 43. | Hackney South & Shoreditch |
| 7. | Bexleyheath & Crayford | 44. | Hammersmith |
| 8. | Brent Central | 45. | Hampstead & Kilburn |
| 9. | Brent North | 46. | Harlow |
| 10. | Brentford & Isleworth | 47. | Harrow East |
| 11. | Brentwood & Ongar | 48. | Harrow West |
| 12. | Bromley & Chislehurst | 49. | Hayes & Harlington |
| 13. | Broxbourne | | Hemel Hempstead |
| 14. | Camberwell & Peckham | 50. | Hendon |
| 15. | Carshalton & Wallington | 51. | Hertford & Stortford |
| | Castle Point | 52. | Hertsmere |
| | Chatham & Aylesford | | Hitchin & Harpenden |
| | Chelmsford | 53. | Holborn & St Pancras |
| 16. | Chelsea & Fulham | 54. | Hornchurch & Upminster |
| | Chesham & Amersham | 55. | Hornsey & Wood Green |
| 17. | Chingford & Woodford Green | 56. | Ilford North |
| 18. | Chipping Barnet | 57. | Ilford South |
| 19. | Cities of London & Westminster | 58. | Islington North |
| | Crawley | 59. | Islington South & Finsbury |
| 20. | Croydon Central | 60. | Kensington |
| 21. | Croydon North | 61. | Kingston & Surbiton |
| 22. | Croydon South | 62. | Lewisham East |
| 23. | Dagenham & Rainham | 63. | Lewisham West & Penge |
| 24. | Dartford | 64. | Lewisham, Deptford |
| 25. | Dulwich & West Norwood | 65. | Leyton & Wanstead |
| 26. | Ealing Central & Acton | | Luton North |
| 27. | Ealing North | | Luton South |
| 28. | Ealing, Southall | | Maidenhead |
| 29. | East Ham | | Mid Sussex |
| 30. | East Surrey | | Milton Keynes North |
| 31. | Edmonton | | Milton Keynes South |
| 32. | Eltham | 66. | Mitcham & Morden |
| 33. | Enfield North | 67. | Mole Valley |
| 34. | Enfield, Southgate | | North East Bedfordshire |
| 35. | Epping Forest | | North East Hampshire |
| 36. | Epsom & Ewell | 68. | North East Hertfordshire |

- | | | | |
|-----|----------------------------------|-----|--------------------------|
| 69. | Old Bexley & Sidcup | | Stevenage |
| 70. | Orpington | 83. | Streatham |
| 71. | Poplar & Limehouse | | Surrey Heath |
| 72. | Putney | 84. | Sutton & Cheam |
| | Reading East | 85. | Thurrock |
| | Reading West | | Tonbridge & Malling |
| 73. | Reigate | 86. | Tooting |
| 74. | Richmond Park | 87. | Tottenham |
| | Rochester & Strood | 88. | Twickenham |
| 75. | Romford | 89. | Uxbridge & South Ruislip |
| 76. | Ruislip, Northwood & Pinner | 90. | Vauxhall |
| 77. | Runnymede & Weybridge | 91. | Walthamstow |
| 78. | Sevenoaks | 82. | Watford |
| 79. | Slough | 93. | Welwyn Hatfield |
| | South Basildon & East Thurrock | 94. | West Ham |
| | South West Bedfordshire | 95. | Westminster North |
| 80. | South West Hertfordshire | 95. | Wimbledon |
| | South West Surrey | 97. | Windsor |
| 81. | Spelthorne | | Woking |
| 82. | St Albans | | Wycombe |

Source: IPSA, *The Members' Expenses Scheme, Schedule 2*, 29 March 2010, HC 501 2009-10; *Annual Review of MPS' Expenses Scheme 2011*, "The MPs' Expenses Scheme: Third Edition", Schedule 2 and Schedule 3

Appendix 2: IPSA MPs' expenses scheme – summary 2010/11

(a) Accommodation Expenses and London Area Living Payment

	Accommodation Expenses		Accommodation Expenses		Hotel Accommodation		Caring	London Area	Addition to
	London Area (1)	Rent (max)	Mortgage interest (transition)	Total Mortgage (max)	(per night)	Elsewhere			
2010/11	£19,900	£17,400	£17,500	£15,000	£130	£105	£2,425	£3,760	-
2011/12	£19,900	-	£17,500	-	£150	£120	£2,425	£3,760	£1,330

(1) For MPs claiming for rental payments within the Member's constituency, or within 20 miles of any point on the constituency boundary, IPSA set out in guidance annual Accommodation Expenses budgets, in 2010/11. From 2011/12 budgets were specified in the Scheme. These budget limits vary, having regard to particular constituencies.

(b) Staffing, Office, Administrative and Expenses

	Staffing Expenditure	Constituency Office Rental Expenditure		General Administrative Expenditure	Office Costs Expenditure	
		London Area	Non-London Area		London Area	Non-London Area
2010/11	£109,548	£12,761	£10,663	£10,394	-	-
2011/12	£115,000				£24,000	£21,500

(c) Winding-Up Expenses

	Winding-up Expenses	Winding-up Expenditure	
		London Area	Non-London Area
2010/11	£40,609		
2011/12		£46,500	£45,500

(d) Travel and subsistence

	Mileage rates (per mile)		Bicycle	Subsistence		Taxi	
	Motor car	Motorcycle		Overnight	Late sitting	Late sitting	
	< 10,000 miles	> 10,000 miles		(1)	(2)	(3)	
2010/11	40p	25p	24p	20p	£25	£15	£80
2011/12	40p	25p	24p	20p	£25	£15	£80

(1) Away from London Area or constituency

(2) MPs may claim reimbursement of the costs of an evening meal when they are required to be at the House of Commons because it is sitting beyond 7.30pm.

(3) In 2010/11, taxi fares could only be claimed if the House sat beyond 11pm