

IPSA Explanatory Memorandum 2024-25 Supplementary Estimate

Summary

1. This note provides the Speaker's Committee for the IPSA (SCIPSA) with an explanation of the proposed 2024-25 Supplementary Estimate for the Independent Parliamentary Standards Authority (IPSA), as approved by IPSA's Board.
2. The main requirement in this Supplementary relates to the IPSA's role in supporting the orderly transition between the old parliament and the new. The changeover in seats in the 2024 General Election was significant, resulting in 2,373 people leaving their posts and 350 new MPs needing to be supported in establishing their offices and recruiting staff.
3. There is an inevitable financial cost to IPSA's work in supporting this transition, but this is a once in a generation event: in 2019 there was a 24% turnover in MPs, in 2024 it was 51%. In 2019 460 staff members lost their jobs, in 2024 it was 2,023. The total cost to support MPs through transition in 2024 is £53 million; had the 2024 turnover of MPs been the same as in 2019 the cost would have likely been around £23 million.
4. IPSA's work entailed more than 11,000 individual tasks – including ending lease agreements, returning property and processing MP staff members leaving. At the same time, IPSA was supporting those new members in setting up what is akin to a small business. Feedback received from those joining and leaving parliament has been very positive.
5. IPSA's net spending is broken down into several different spending totals, for which SCIPSA's approval is sought. The two relevant spending totals for this Supplementary are:
 - a. Resource Departmental Expenditure Limit (DEL) - a net limit comprising day-to-day running costs, less any income; and
 - b. Resource Annually Managed Expenditure (AME): less predictable day to day spending, and used in particular for provisions.
6. The total Supplementary Estimate of £60.1 million comprises:
 - a. £52.8 million DEL in respect of the General Election ("Subhead C") of which:
 - i. £52.5 million relates to net costs which would otherwise fall under "Subhead A". This number is comprised of £52.6 million of costs to wind up a departing MP and their office, costs to establish a newly-elected MP and reimbursements of £0.1m made by MPs who used IPSA-funded office equipment during the General Election; and
 - ii. £0.3 million relates to costs which would otherwise fall under "Subhead B", being the additional costs to IPSA to administer the turnover of MPs; and
 - b. £7.3m AME in respect of the McCloud Redress Scheme.

Summary of Supplementary Estimate

	2024-25	2024-25 Main Estimate		2023-24 Outturn	
	Total £'000	Total £'000	Variance £'000	Total £'000	Variance £'000
Resource DEL					
Subhead A	247,896	247,896	-	233,138	14,758
Subhead B	11,954	11,954	-	10,895	1,059
Subhead C	52,767	-	52,767	-	52,767
Total Resource DEL	312,617	259,850	52,767	244,033	68,584
Resource AME	7,450	150	7,300	(17)	7,467
Total	320,067	260,000	60,067	244,016	76,051

General election costs

7. In the Explanatory Memorandum for the 2024-25 Main Estimate, IPSA explicitly **excluded** any provision for general election costs. We estimated at the time that the marginal cost to IPSA of the replacement of one MP by another was £116,000.
8. For planning purposes our central case was a turnover of 250 MPs; the actual turnover was 355 MPs¹.
9. The assumptions and rationale behind both the cost per-MP figure, based on changes from the 2019 election, and the actual cost per turnover of MP of the 2024 election (being £147,900) is presented below.

¹ This includes five MPs who were returned to different constituencies. For IPSA purposes these MPs count as part of the overall turnover as they need to wind down their old office and ramp up the new.

General election costs

Ref	£'000 per MP	Actual 2019	Budget 2024	Actual 2024	2024 Actual to 2019 Actual	Variance 2024 actual to 2024 budget
a.	Parallel running costs	25.6	43.4	60.3	34.7	16.9
b.	Staff redundancies	19.9	32.8	35.2	15.4	2.4
c.	Winding-up payment to MPs	8.3	18.1	17.3	8.9	(0.8)
d.	Tax on winding-up payment	-	-	16.7	16.7	16.7
e.	Loss-of-office payment	7.1	14.9	10.8	3.7	(4.1)
f.	Start-up office costs	5.8	7.6	6.0	0.2	(1.6)
g.	Dilapidations	-	-	1.0	1.0	1.0
h.	Election accommodation	-	-	0.8	0.8	0.8
i.	Pay in lieu of notice for staff	5.8	-	-	(5.8)	-
j.	Reimbursements of IPSA Funded Equipment			(0.2)	-	
	Total per MP office	72.4	116.7	147.9	75.7	31.5
	# new MPs	156	250	355		105
	Cost of election / £m	11.3	29.2	52.5		23.3

10. Differences arise due to:

- a. Parallel running costs reflect the additional marginal costs where incoming members hire staff over a period where outgoing members retain their staff on payroll. They are challenging to quantify. Incoming members will not pay the same salaries nor have the same office structure as outgoing members.

Parallel running costs are greater than expected as new MPs hired staff more swiftly and at higher average rates than budgeted for.

- b. A greater proportion of staff were on standard contracts in 2024 which allow for double statutory redundancy than in 2019. Redundancy for staff on non-standard contracts is on a statutory basis.
- c. IPSA budgeted for an increase in winding-up period from 2 months to 4 months, with a commensurate increase in winding-up payment to former MPs.
- d. After determining the budget, HMRC confirmed that the winding-up payment is taxable. IPSA therefore grossed these payments up to ensure former MPs continued to receive their equivalent net pay during this period.
- e. IPSA increased the budget for loss-of-office payments ("LOOP") as the average term of MPs was greater (at 11 years) in 2024 than in 2019. The actual LOOP depended on the specific members not returning.
- f. IPSA makes available £6,000 per new office for one-off start-up costs. We also budgeted for 10% of Parliament (i.e. 65 members) to need to move office due to boundary changes. The actual number of returned MPs who needed access to this was 26.
- g. Dilapidations relates to required costs to make good offices and accommodation rentals in line with lease contracts.

- h. Election accommodation is for hotel rooms IPSA booked for newly-elected members in the days immediately after the election. This was before IPSA was able to provide any training or guidance on our travel and accommodation rules and procedures.
 - i. With the increase in the winding-up period to four months, IPSA no longer funds any Pay In Lieu Of Notice costs which extend beyond the end of the winding up period.
 - j. Former MPs were required to pay a fee to IPSA for the use of taxpayer funded office equipment.
11. For the avoidance of doubt, of the average £147,900 paid in respect of the turnover of one MP, the net winding-up payment and LOOP, together totalling around 19% is due to MPs. The rest of the costs are due to staff, HMRC and suppliers.
12. IPSA's own increased costs to administer the turnover of MPs is around 0.5% of the above MP-related costs:

IPSA election costs

	Actual £'000
Total	266.9
Travel and accommodation	153.2
Additional staffing costs	87.9
Licenses and printing	25.8

13. IPSA is therefore requesting a total of **£52.8 million** in respect of the 2024 general election costs.

McCloud redress scheme

14. In the Explanatory Memorandum for the 2024-25 Main Estimate, IPSA was clear that we were **excluding** any provision for McCloud tax remedy costs, which we estimated at the time to be around £1.5m - £3.0m.
15. GAD have since provided IPSA with a calculation for the total cost of the redress scheme if every member selects the option with the highest level of total redress of £7.3 million.
16. IPSA has no basis beyond GAD's expertise on which to determine an expected value of payments to MPs in respect of tax rectification. We use GAD's figures.
17. We expect regulations to be laid to permit PCPF Trustees to make redress payments to pension scheme members during this financial year. IPSA have committed to fund PCPF to make these redress payments, which will not be payable until 2025-26. However once regulations are laid and members make their choices IPSA will have an obligation to the PCPF. IPSA therefore recognises a provision in the accounts, scored in AME.

Accounting Officer Approval

18. This memorandum has been prepared according to the requirements and guidance set out by HM Treasury and the House of Commons Scrutiny Unit, available on the Scrutiny Unit website.
19. The information in this Estimates Memorandum has been approved by myself as Accounting Officer.

Ian Todd

Accounting Officer

The Independent Parliamentary Standards Authority

7 January 2025