

Explanatory memorandum

2025-26

OVERVIEW

Paper 6

This note provides the Speaker's Committee for the IPSA (SCIPSA) with an explanation of the proposed 2025-26 main estimate for the Independent Parliamentary Standards Authority (IPSA), as approved by IPSA's board. For comparative purposes, the estimate includes the 2024-25 budget (updated for the supplementary estimate). Forecasts are based on the position as at 31 December 2024.

This note should be read alongside the 2025-26 business plan.

While most of this estimate comprises routine budget and inflationary increases, there are some areas of note:

- **The effect of the 2024 General Election**

Since the election, members have increased their rate of use of IPSA funding compared to the previous Parliament. This may be a temporary response as new members set up their offices; it may be the beginning of a new sustained spending pattern for Parliament. There is not yet sufficient data to determine which this is. IPSA has increased the proportion of the maximum MP spend that we will draw down. See subhead A (page 4).

- **Funding for the McCloud redress scheme**

The MP's Parliamentary Contributory Pension Fund (PCPF) will be making redress payments to pension scheme members who experience adverse effects as a direct result of their McCloud choices. IPSA is funding the PCPF for this redress scheme. See subhead C (page 7).

- **Capital expenditure relating to a new office lease for IPSA**

Since IPSA's last office move in 2019, accounting standard IFRS 16 has come into force. This effectively requires IPSA to capitalise the entire cost of the new office lease up front. See 'Capital DEL' (page 7).

Objectives

IPSA's estimate has three subheads: subheads A and B as in previous years, and a new subhead C.

1. Subhead A funds MPs' pay, staffing and business costs.
2. Subhead B funds IPSA's operational costs.
3. Subhead C funds the McCloud redress scheme.

There is also a capital requirement and an annually managed expenditure (AME) requirement.

Comparison of spending totals sought

The estimate table sets out IPSA's resource departmental expenditure limit (DEL), capital DEL and annually managed expenditure (AME).

This is a summary of the proposed estimate for 2025-26:

	2025-26 Estimate £ millions	2024-25 Estimate £ millions	Variance £ millions	Variance %
Resource DEL				
Subhead A: MP's Pay, staffing, business costs and expenses	268.5	247.9	20.6	8.3%
Subhead B: IPSA Operations (core costs)	11.8	12.0	(0.1)	(1.1%)
Subhead C: McCloud redress scheme	5.5	-	5.5	-
<i>General election</i>	-	52.8	(52.8)	(100.0%)
Total resource DEL	285.9	312.6	(26.8)	(8.6%)
Capital DEL	1.8	0.3	1.5	563.5%
AME				
Resource AME	(5.5)	7.5	(12.9)	(173.7%)
Capital AME	0.1	-	0.1	-
Total AME	(5.4)	7.5	(12.8)	(172.0%)
Total	282.3	320.3	(38.0)	(11.9%)

A significant reduction in the 2025-26 RDEL budget is proposed, recognising the one-off impact of the 2024 General Election (offset by the one-off impact of the McCloud redress scheme).

The main factors behind the RDEL subhead A movement are the application of an indicative pay award to MPs, an increase in MP staff budgets, and adjustments to reflect budget uptake and increased use of available funding by MPs' offices.

Subhead B movement reflects an indicative IPSA staff pay award and inflation impacts on business costs, countered by realising efficiency savings. Some strategic projects were completed in 2024-25 but many were postponed due to the larger than expected election turnover, and corresponding longer amount of time IPSA reprioritised towards supporting new and departing MPs. As a result, most projects planned for 2024-25 have been replanned for 2025-26. This reduction also offsets IPSA's other business-as-usual increases.

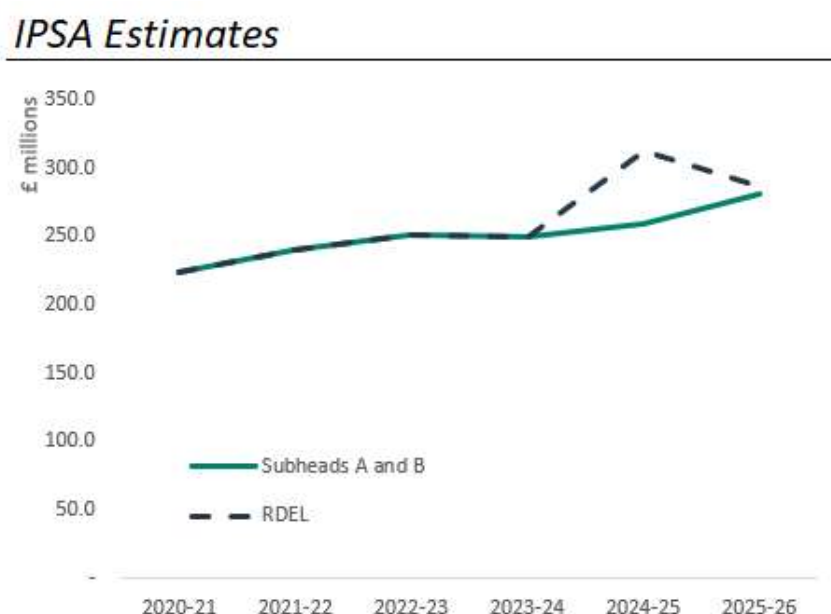
The increase in the capital budget predominantly reflects the requirement to capitalise the lease on IPSA's proposed new office.

The resource AME income is an accounting adjustment reflecting the use and release of the McCloud provision requested at the supplementary estimate.

New policies and programmes, ambit changes

IPSA is funding the McCloud redress scheme operated by the PCPF, covered under subhead C with a corresponding ambit change.

Spending trends



Administration costs and efficiency plans

All IPSA budgets are classed as programme.

Funding: spending review and budgets

There have been no spending review monies received or applied for.

Funding: other spending announcements

There have been no spending announcements to impact this memorandum.

SPENDING DETAIL

Tables

MPs' business costs, pay and pensions (subhead A)

Subhead A includes all expenditure on MPs' business costs and pay, including the pay and other costs of their staff. This is the proposed subhead A element of the 2025-26 estimate (forecasts as of December 2024):

£'000 unless stated	2025-26					2024-25			
	Budget	Variance to 2024-25 Outturn	Variance %	Variance to 2024-25 Budget	Variance %	Budget	Forecast Outturn	Variance	Variance %
Subhead A									
MP pay and pensions	70,868	3,383	5.0%	2,711	4.0%	68,157	67,485	672	1.0%
MP staff pay and pensions	157,098	17,381	12.4%	14,747	10.4%	142,351	139,717	2,633	1.9%
Capped budgets	30,543	1,889	6.6%	1,872	6.5%	28,671	28,653	18	0.1%
Uncapped budgets	7,309	1,254	20.7%	1,046	16.7%	6,263	6,055	208	3.4%
Additional support funding	2,713	2,102	344.1%	259	10.5%	2,454	611	1,844	301.8%
Total Subhead A	268,531	26,009	10.7%	20,635	8.3%	247,896	242,522	5,374	2.2%

The overall subhead A funding increase of 8.3% is based on these main assumptions:

- **MPs' remuneration** represents increases relating to changes in employers' national insurance rates and thresholds. It also includes an assumed 2.8% increase to MPs' salaries and committee chair payments, and London Area Living Payment (LALP) and Additional London Area Living Payment (ALALP) increases of 3.5%. The MP salary increase is subject to technical consultation on a 'holding' determination pending a more in-depth review of MP salaries for the new Parliament. No further changes to MPs pay are expected in 2025-26.
- **MPs' staffing budgets** increased by 5%, which incorporated an assumed 3% automatic cost-of-living award to staff and an additional 2% to provide flexibility for offices. MP staff budgets continue to be underspent in aggregate, although early indications are that new MPs tend to use more of the available funding than the previous Parliament. IPSA will therefore draw down 90% of the possible maximum (up from 86%). Of the total £14.7m increase, £8.1m relates to staffing budget increases and £6.6m relates to increased budget use.
- **MPs' capped budgets** for accommodation and office costs is up £1.9m (6.5%) on the 2024-25 budget:
 - MPs' office budgets have increased by 8.2% (London) and 8.8% (non-London), recognising the difficulties in sourcing appropriate accommodation. IPSA has increased its drawdown to 80% of the total (from 75%) which adds an additional £1.2 million.
 - Accommodation budgets have increased by 8.7% for similar purposes. IPSA has **reduced** the drawdown required by to better reflect the pattern of use. This £1.8 million reduction partly offsets the budget increases.
- **MPs' uncapped budgets** show a £7.3m funding requirement. This is based on a 2.6% inflation increase on travel and an additional £0.6m due to increased travel patterns observed since the election.
- **Additional support funding** is for exceptional costs that fall outside or exceed a particular budget, or are otherwise not covered by the scheme, but are nevertheless in support of an MP's parliamentary functions.

IPSA's operations (subhead B)

IPSA's operations are funded in the subhead B budget, which covers the costs associated with the reimbursement of MPs' business cost claims, paying MPs and their staff, regulatory activity, and all internal support services including IT, finance, HR and communications. It also includes costs for improvement projects. The 2025-26 estimate for these costs is £11.8m.

£'000 unless stated

	2025-26					2024-25			
	Estimate	Variance	Variance	Variance	Variance	Estimate	Forecast	Variance	Variance
		to 2024-25	%	to 2024-25	%		Outturn		%
		Outturn		Budget					
Subhead B Revenue									
Subhead B Business-as-usual									
Pay									
IPSA Staff Costs	7,118	28	0.4%	(332.1)	(4.5%)	7,450	7,090	360	5.1%
Other staff costs	-	(118)	(100.0%)	-	-	-	118	(118)	(100.0%)
Total pay	7,118	(91)	(1.3%)	(332.1)	(4.5%)	7,450	7,209	241	3.3%
Non-pay									
People Associated Costs	263	171	186.7%	(13.3)	(4.8%)	276	92	184	201.2%
Legal, Audit and Professional Fees	54	(168)	(75.6%)	15.8	41.0%	38	222	(183)	(82.7%)
Consultancy	335	132	65.3%	72.7	27.7%	262	203	60	29.4%
IT Services and Telephony	1,416	(67)	(4.5%)	229.5	19.3%	1,186	1,483	(297)	(20.0%)
Premises Costs	388	58	17.7%	72.3	22.9%	316	330	(14)	(4.2%)
Travel and Subsistence	128	64	99.2%	4.8	3.9%	123	64	59	91.7%
Printing, Postage and Stationery	29	(11)	(26.9%)	(20.8)	(42.1%)	49	39	10	26.1%
Charges and Provisions	68	(9)	(11.4%)	(5.8)	(7.9%)	74	77	(3)	(3.9%)
Other Costs	126	59	87.6%	(114.2)	(47.5%)	240	67	173	257.2%
Depreciation and Amortisation	1,012	100	10.9%	81.1	8.7%	931	912	19	2.1%
Non-pay	3,819	330	9.5%	322.2	9.2%	3,497	3,489	8	0.2%
Total business-as-usual	10,937	239	2.2%	(10.0)	(0.1%)	10,947	10,698	249	2.3%
Resource projects									
Improve customer service	220	161	272.9%	(145.0)	(39.7%)	365	59	306	518.6%
Simplify our policy	502	71	16.5%	150.0	42.6%	352	431	(79)	(18.3%)
Deliver financial value	-	-	-	-	-	-	-	-	-
Grow our people	60	38	170.3%	0.5	0.8%	60	22	37	168.0%
Supporting trust in democracy	101	2	2.0%	(129.0)	(56.1%)	230	99	131	132.3%
Total resource projects	883	272	44.5%	(123.5)	(12.3%)	1,007	611	396	64.7%
Total Subhead B revenue	11,820	511	4.5%	(133.5)	(1.1%)	11,954	11,309	645	5.7%

Budget movement

The 2025-26 budget is a decrease of £0.1m. Business-as-usual (BAU) costs are broadly flat. This reflects the assumed IPSA staff pay award of 3.0% (2.8% for directors), offset by staffing efficiencies made during 2024-25. IPSA will likely have lower than otherwise increases in premises costs by moving to a smaller office.

This level of funding will enable IPSA to meet current levels of demand, and to fund the improvements in capacity and capability set out in IPSA's corporate plan.

Many of the strategic improvement projects (see the accompanying business plan for more detail) were planned for 2024-25 but had to be postponed due to the significant impact on IPSA of supporting a large number of new and departing MPs through the general election. These projects are still to be subject to IPSA's strict business case process, which will fully assess affordability, ability to deliver and overall value for money before IPSA commits to spend.

McCloud redress scheme (subhead C)

IPSA is refunding the PCPF for payments made to pension scheme members where they have been adversely affected by tax payments due to their McCloud elections. This is equivalent to the treatment they would have received had they been members of a pension scheme referenced in the McCloud judgement.

Since the supplementary estimate assumption of £7.3m, HMRC have laid regulations that mean refunds of contributions by the PCPF are no longer unauthorised. IPSA therefore does not need to fund this element of the redress scheme, reducing the DEL impact to £5.5m.

Capital DEL

£'000 unless stated

	2025-26					2024-25			
	Estimate	Variance	Variance	Variance	Variance	Estimate	Forecast	Variance	Variance
		to 2024-25	%	to 2024-25	%		Outturn		%
		Outturn		Budget					
Subhead B capital									
BAU	45	(59)	(56.6%)	(129.9)	(74.2%)	175	104	71	68.3%
Office relocation	1,753	1,753	-	1,753.0	-	-	-	-	-
Deliver financial value	-	(50)	(100.0%)	(96.0)	(100.0%)	96	50	46	92.0%
Total Subhead B capital	1,798	1,644	1067.6%	1,527.1	563.5%	271	154	117	76.0%

The capital budget of £1.8m is a significant increase on the £0.3m from last year. IPSA's current office lease ends in 2025-26 and IPSA is seeking a smaller office in a suitable location. Accounting rules (IFRS 16) effectively require IPSA to capitalise the entire cost of the lease up front.

While IPSA has made reasonable assumptions over its new lease, this is still subject to commercial negotiation. As IPSA must capitalise lease costs, relatively small changes in, for example, square footage or lease term can have significant impacts on capital expenditure.

Annually managed expenditure (AME)

The annually managed expenditure budget is a non-cash budget for provisions and impairments. The bulk of AME is an 'income' of £5.5m. This relates to using or otherwise releasing the McCloud provision (the associated DEL spend being in subhead C).

Restructuring

There is no significant restructuring identified at this time.

Ring-fenced budgets

The only ring-fenced budget is depreciation.

Changes to contingent liabilities

There are no contingent liabilities.

PRIORITIES & PERFORMANCE

How spending relates to objectives

Expenditure under subheads A and B supports the objectives set out on page 2. More detail on IPSA's objectives is contained within the corporate plan.

Measures of performance against each priority

Subhead A funds MPs' business costs, pay and pensions, and subhead B funds IPSA's operational costs. Performance against objectives is determined by ensuring that spend remains within budget.

Commentary on steps being taken to address performance issues

There are no performance issues and no specific funding in that regard.

Major projects

There are no separately identifiable major projects. All activity is included within the subheads A and B RDEL and CDEL budget requirements detailed above.

OTHER INFORMATION

Additional specific information required by the select committee

There is no additional information needing to be provided.

Accounting officer approval

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.

The information in this estimates memorandum has been approved by myself as accounting officer.

Ian Todd

Accounting Officer, IPSA

03 February 2025