

## **CHECK AGAINST DELIVERY**

First, let me thank Fiona Booth, the Chief Executive of the Hansard Society for acting as host for my talk this evening.

Secondly, thank you all for coming on this cold evening.

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Chaired by Fiona Booth Chief Executive of the Hansard Society

1 Let's begin at the beginning. There is a profound sense of anger at the revelations about MPs' claims for expenses recounted last summer in the Daily Telegraph. The Mother of Parliaments had lost its way: it was on the take. Good, honest, hard-working MPs were swept into the same pile as those who seemed to have lost any sense of shame. The perception was all-embracing, and as one ancient philosopher reminded us: perceptions are true because people believe them.

2 What to do? The first thing is to understand how this appalling state of affairs came to pass. The simple answer is that MPs were responsible for fixing their expenses and allowances and fix them they did! It's not that there was some giant conspiracy to raid the public purse. Rather, forces came together to produce the mess we are in. There was a system of determining allowances which barely deserved the description "system" and got increasingly out of hand. There was the very word "allowance" which created a culture in which sums of money were assumed to be there to be spent. And, quite a few MPs rose to the challenge! And, most disconcerting of all, the internal voice in the head of each MP, reminding her/him of the duties of public service that go with the privileges of being an MP, seemed to fall silent in the heads of too many members.

3 The Government and Parliament, when faced with the revelations in the Daily Telegraph and the consequent public outcry, did what they usually do. They declared that something must be done and then did some things. The two notable things were the invitation to the Committee on Standards in Public Life (CSPL) (chaired by Sir Christopher Kelly) to look into what had happened and the subsequent decision that this might not be enough and that legislation was needed to create a new scheme of what are called "allowances". (The chronology is important since, unusually, it is thought by many that the earlier development should ordain what the later, legislatively created body should do – as if Parliament's passing a law was to be regarded as some sort of after-thought.)

4 The legislation was duly passed, in just over 3 weeks. It created the Independent Parliamentary Standards Authority (IPSA). I was appointed the Chairman-designate on

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Tuesday November 3. The Report of the CSPL was published formally the next day Wednesday Nov 4.

5 After some initial uncertainty or confusion as to IPSA's role as a newly created independent body, a state of relative calm has been achieved. It has been recognised by most, that IPSA could not respond to the recommendations of the CSPL by just "implementing Kelly", as was urged by some. A goodly number of the CSPL's recommendations, in fact, call for primary legislation, which of course IPSA cannot deliver, and many of them require detailed working through so as to make a scheme which can be operated in a fair, open and accountable manner. But, that said, IPSA could and did recognise that the CSPL's report lays the foundation for the detailed scheme which we will be putting forward for consultation in 2 days time on Thursday: the scheme responds to and reflects the report and its unimpeachable principles.

6 What will guide us as we craft the new scheme? Obviously, the views of those whom we consult and engage with will be crucial. And this is not just because there are lots of good ideas out there which we ought to hear and take account of. It's also because whatever we come up with must have legitimacy. It must meet the concerns of a public now deeply distrustful of Parliamentarians and not yet clear as to whether it should trust what might be seen as yet another quango. The scheme that IPSA comes up with must, therefore, be something that commands public confidence. And we can only know this if we engage with the public and listen to their views. We do not, of course, have the power, on our own, to restore the public's confidence in Parliament. Ultimately, only Parliamentarians can do this. But we can make a contribution to this supremely important task, going to the heart of our democratic system. IPSA's particular challenge is to help to build public confidence in the way in which MPs are financially supported to go about their work.

7 Before taking our first step on this journey, it is as well to consider the profound change which Parliament's creation of IPSA represents. One of the consequences of the "Glorious Revolution" of 1688 was the reaffirmation by Parliament that it, and it alone, is the master of what it does and how it does it. Wrapped up in what came to be known as Parliamentary "privilege" was one of the cornerstones of Parliamentary democracy as we see it. Parliament, not the courts nor the executive, was the ultimate fount of the law. It needed

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the freedoms and powers (the privileges) that go with that role. And, it guarded its privileges tenaciously. And, part of those privileges, those freedoms, was how it rewarded itself. Give that power to anyone else, it was assumed, and the freedom of Parliament to act fearlessly, responsible only to the electorate periodically, is in danger. Well, the Parliamentary Standards Act 2009 changed that, and it did so in the batting of an eye. "Allowances" (and, in due course, pay) were to be determined by an independent body, not answerable to Parliament. Self-regulation, long the hallmark of a profession's status as a profession, has been painfully surrendered over the past decade or so even by the lawyers and doctors. Now, it is the turn of legislators, and not even the weight of history can hold it back.

8 And, what of IPSA? As it says on the label, IPSA is an independent authority. It has the formal features of independence: I and my colleagues on the Board can only be dismissed by a resolution of both Houses of Parliament addressed to Her Majesty the Queen. Moreover, not only are we independent in form, we are determined to be independent in our actions.. But, what does this mean in practice? Will we stand up to MPs, Ministers, Secretaries of State and, perhaps these days, most importantly, the media? Well, the answer is: yes, of course we will. But, the question may not be the right one. Long experience in navigating a way through the corridors of power has taught me that, in a complex world, it's best to keep things simple. IPSA was not created to "stand up to" anyone. That's too crude and unnecessarily confrontational a view of how to conduct affairs. Rather, IPSA will keep at the front of its head what it was created for: that it exists to serve the interests of the public. One of those interests is in ensuring that MPs are properly remunerated and behave with integrity and honesty. All that we do should be assessed against that measure. I do not, therefore, define independence as poking my finger in the eye of government or Parliament every day, just to show them what's what and who's who. Rather, independence is holding on to certain basic truths and principles and then working your way through the issues of the day in the light of them. What makes you independent is that these truths, these principles, these values are not negotiable. They do not bend to the exigencies of the moment. People know where you stand and what you will make your stand on.

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9 IPSA has had to move quickly. As I've mentioned, it's only a month and a half since I was formally appointed as Chair. We now have a Board consisting of a Chairman and 4 members, 3 of whom serve as qualifying under the Act in that they have the particular background specified in the Act (high judicial office, previous service as an MP, and experience as an auditor). The fourth member has the heady responsibility of speaking for everybody else who doesn't fall into those three categories! We have met twice as a Board. We have given the highest priority to the consultation document which, as I will explain shortly, will be published on Thursday. We have already begun to map out the tasks which lie ahead. And we have kept a close eye on proposed legislative changes to IPSA's powers and responsibilities, which we will need to take account of. In all of this activity, we have been ably supported by Andrew McDonald, the interim chief executive, and his team.

10 Now, let's take that first step on our journey I referred to a moment ago; let's turn to the task of crafting a new scheme of expenses. It already takes us into contentious territory. Should we be concerned only with expenses? Or, should we see expenses as a part, but only a part, of the whole remuneration of MPs? Should we examine that bigger picture? Well, the legislation creating IPSA does not extend to pay and pensions. The CSPL, however, thought that pay and expenses were so obviously intertwined that IPSA should be responsible for all aspects of remuneration. The Government has since declared its agreement with the CSPL's position. For my part, I think that the CSPL was right. I do not think that you can create a plausible system for dealing with expenses in isolation. For me, the big exam question raised by the expenses scandal and the culture which gave rise to it is as follows: what does a modern 21<sup>st</sup> century legislator need from the public purse so as to do the job properly and serve both constituents and country? This question can only be answered by considering all aspects of remuneration. But, this is to step into the future. Currently, we have to get on and put together a scheme of "allowances".

11 So, our next step is to ask what are the principles which should guide us in preparing this scheme. Happily, there is no shortage of suggestions. For us, the principles set out and relied on by the CSPL provide an excellent basis. Sir Christopher Kelly and his colleagues have laid the foundation for our work and I pay tribute publicly to their achievement. Their principles will be our guide. But, a word of caution: principles are important but they only get you so far. After all, the Green Book which guided MPs through the system of

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allowances which is now so derided, made all the right noises. In the 2005 and 2006 versions, we find: “there can be no grounds for a suggestions of misuse of public money”. We also find “members themselves are responsible for ensuring that their use of allowances is above reproach”. There you are. It couldn’t be clearer. But it didn’t prevent the abuse – nor the scandal.

12 So, we will begin with principles but recognise that they only help if they are reflected in practice. And, moving from principle to practice is never a linear process. Judgements are called for along the way. We need to made some hard judgements or choices. We need to decide what the new scheme should look like. And, in making our judgements comes the possibility (indeed, probability) of disagreements. This is inevitable. It is also healthy, as long as any debate is based on reasoned argument and evidence. By consulting on our proposals, we seek to have that debate.

13 Furthermore, we intend that the debate be informed by a set of values which will define our approach to the way in which we intend to work, in the service of the public and of MPs. These values are:

independence

honesty

openness

accountability, and

fairness.

14 Our next step is to stand back a little and ask ourselves a deceptively simple question. What should a scheme to do with expenses be about. The legislation talks of “allowances”. The Daily Telegraph talked of expenses. They are different. Expenses we all recognise. You incur some legitimate debt, you get a receipt, you submit the receipt, you get reimbursed. Allowances are sums of money made available to you for you to spend on whatever the allowance is for. You can spend all of it: it’s allowed. We have no doubt that the scheme that

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we are called upon to establish must primarily be a scheme about expenses, backed by receipts. Neither we nor the taxpayer ever thought that we are or should be in the world of allowances to be viewed as some sort of grown-ups' pocket money. So, to us, the statutory term "allowance" means, for the most part, expenses. I say for the most part, because there are some areas of expenditure, like the employment of staff, which do not, to some, fit easily into the description of expenses as usually understood. Instead, it is said that they should be seen as attracting a budget, the spending of which has to be justified in advance. So, it's a scheme for expenses and other payments in the form of budgets that we are concerned with...

15 Expenses and payments for what? The approach of the CSPL was to adopt the system of allowances and expenses currently operated by the House of Commons and graft onto that scheme proposed changes. But, that system is an odd collection of lines of possible expenditure. Like Topsy it seems to have just "grewed", with new allowances being added to existing ones when the perceived need arose. So, rather than try to build a new system out of the rubble of the old, we have started again. We have asked ourselves: what does an MP need by way of financial support from the public purse, not in terms of cash (though that is part of the exercise) but in terms of the general areas to be addressed?

16 We have identified 5 categories of support. They are: travel and subsistence; accommodation; staff; rental of constituency offices or premises for surgeries; and general running costs, such as the purchase of office equipment. As regards each of these categories we have begun from the position taken by the CSPL and worked through ways of translating recommendations into action. Because we are under a duty to consult, a duty which is right and one which we welcome, we are seeking to do precisely that - consult. This means that, on a number of occasions, we will offer different options for consideration as to which gives best value to the taxpayer and best serves the needs of MPs. Above all, we want to know whether what we propose:

- is clear and readily understandable
- will properly meet the legitimate costs that MPs incur in fulfilling their duties as MPs
- will command the confidence of the public.

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We will reflect on the submissions made to us when the period for consultation closes. Then we will publish our scheme.

17 The consultation will, as I have said begin in two days time, on January 7<sup>th</sup>. We will seek to make it as extensive as possible. We are required by statute to consult a number of named individuals and bodies. But we are convinced that no consultation will be worth the name if we do not consult and seek to engage with the public. We will do so in a variety of ways, both through traditional meetings and public appearances, and through the use of the internet. On Thursday, I will announce the launch of a website dedicated to the consultation. We will follow this with public forums in each part of the UK. This activity will be supplemented by discussions with those whom we are required by statute to consult.

18 The timetable is extremely tight. We are most anxious that our scheme will be in place in time for the next general election. This will mean that the new Parliament will begin with a clean sheet and that the large number of new members (predictions run as high as 300) will have a clear, straightforward and fair system to look to. But, of course, the date of the next general election is not in IPSA's gift. Nor do I imagine that the time needed by IPSA to get its scheme up and running will be a factor in persuading the Prime Minister when to name the day. We are working on the assumption of an election in May. This will give us enough time, even if the time for consultation will be shorter than we would wish (although we can take comfort from the fact that the CSPL has prepared the ground through its earlier consultation). If the election is held any earlier, the scheme will not be ready for the new Parliament. We shall have to manage a rather untidy interim period and introduce our scheme as soon as possible. We are currently developing contingency plans to meet this possibility and will advise on them in due course, if the need arises.

19 A final word before I conclude. What lies ahead for IPSA, beyond the specific task that we are currently wrestling with. Let me venture the following? I foresee a world in which IPSA will work closely with the CSPL, as regards the conduct of those who serve us in Parliament. We have different roles, but we are concerned with the same ends: maintaining the highest standards of conduct in public life. The CSPL has already made its mark in its forceful reminders of what constitutes good behaviour in public life. IPSA can contribute to this process but also add a vital but hitherto missing elements – powers of enforcement and

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sanctions (as recommend by CSPL) and to be included in the legislative proposals to be brought forward by the government. Between us, we can make a difference both in culture and in behaviour. This is a task that we relish.

20 Let me conclude by reminding you how crucial it is that we get things right. A scheme of expenses and later of the whole remuneration to be received by MPs is not only important in its own right. It is also important because of what it says about our MPs and our Parliament, not least to those who watch us from abroad. We must not allow our Parliament to become synonymous with moats and duck-houses and bath-plugs. It is everyone's task to make things better. IPSA can play its part. But, IPSA needs help: the help of all who genuinely care about public service and the integrity of those who act in our name. You can begin to give us that help by responding to our consultation.