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Thank you. I am delighted to be here.

I have been asked to talk about the work in the UK of the Committee on Standards in Public Life, and in particular the inquiry we undertook last year into the expenses of members of the UK House of Commons.

The Committee was established in 1994. It followed a previous parliamentary scandal involving a number of MPs who were found to be accepting cash payments from interested parties in return for asking parliamentary questions. I do not know who was responsible for our name. It has always struck me as being out of something by George Orwell

The first chairman was a distinguished judge, Lord Nolan. He established the seven principles of public life which he believed should characterise the behaviour of every holder of public office – **selflessness, integrity, objectivity, accountability, openness, honesty and leadership**.

These principles have been widely adopted in the codes of practice of most public bodies. Most public office-holders and public servants know that they ought to abide by them – even if they cannot recite them by heart.

They are – or ought to be – the bedrock of our country's public service ethos – or indeed of that of any well-functioning democracy. We notice when they are not there. Countries whose public services are not characterised by integrity, honesty and so on tend to be very unpleasant places in which to live. They not only apply to individuals. They should also characterise the behaviour of public organisations

The principles may be eternal. But it is interesting to note that even over a period as short as 16 years public expectations about standards of behaviour have changed. The Committee's interpretation of what the principles apply has changed accordingly.

Lord Nolan's Committee, for example, thought of honesty largely in terms of the avoidance of conflicts of interest. These days honesty in everyday parlance has a much wider meaning – we expect office holders to be truthful and not to mislead us. An expectation that is not infrequently put under some strain

The role of the Committee is often misunderstood. We are not a regulator. We do not have responsibility for investigating individual instances of poor behaviour. We do not pass judgement on transgressors nor impose sanctions.

Our role is simply to provide public policy advice to the Prime Minister on issues of standards and propriety. Our interest is much more in the framework for maintaining and enforcing high standards than in acting as a policeman.

We are an independent body of 10 part timers. Seven of us are appointed by the Prime Minister after the normal competitive and regulated process. The remaining three are nominated by the three main political parties. For the inquiry into MPs expenses the three politically nominated representatives stood down to avoid a conflict of interest.

We have a very small staff of five plus a part time press adviser.

We have no existence in statute. We have no power to demand evidence. We have no power to enforce our recommendations.

That does not mean we are powerless It does mean that to have impact we have to rely on what we say being sufficiently well argued and authoritative, and on our recommendations being well grounded in evidence.

The process by which we reach our recommendations is therefore crucial. If we are to retain moral authority it is important that we conduct our inquiries in a way which is itself above reproach –

manifestly independent, based on evidence and not prejudice, open and transparent and giving everyone who wants to the chance to contribute.

In practice over the years the Committee has had a remarkably good record in getting its recommendations accepted - though sometimes we have had to continue to argue our case for some time after our reports have been published. Over 16 years the Committee has issued 12 reports covering issues such as the regulation of election finance, standards of behaviour in local authorities, codes of practice for ministers and special advisers, and standards of conduct in the House of Commons.

We have just launched a new inquiry into the funding of political parties, the second time we have looked at this subject. The inquiry takes place in the context of a widespread suspicion that very large donations from wealthy individuals can result in either the award of honours – particularly membership of the House of Lords - or inappropriate influence on decisions, or both.

MPs' expenses

All that is largely by way of background to what I want to concentrate on next, last year's inquiry into the regime for determining and paying the expenses of Members of the Westminster Parliament.

I do not know how familiar most of you will be with the details of the previous expenses regime and the changes now made to it.

Briefly, UK Members of Parliament used to determine their own salaries. They are provided with advice from an independent review body. But that advice is not always accepted by the Government of the day. Increasing the salaries of legislators is seldom popular, particularly when they are already far above the average wage elsewhere.

Currently MPs receive a salary of around £65,000, equivalent to around 78,000 Euros. That compares reasonably well with most of their equivalents in other European legislatures. But it is less than most of them would expect to earn if they had entered other professions. In recent years their salaries have fallen somewhat behind some of those they used to regard as their comparators – school head teachers for example.

They are entitled to undertake paid employment elsewhere in addition to their parliamentary duties. A few earn large sums elsewhere. But increasingly being an MP ought to be a full time job if it is to be done properly.

MPs are also entitled to claim expenses "wholly, necessarily and exclusively" incurred in the performance of their Parliamentary role.

In particular, those with constituencies outside London used to be able to claim up to around £24,000 for the costs of maintaining a second place to live, either in their constituency or in Westminster depending on the location of their main home.

They could also claim for the cost of employing staff up to a maximum intended to allow for 3 1/2 people, for the costs of maintaining a constituency office - rent, utilities and so on - for travel costs and for a range of other items.

In principle most of this ought to have been unobjectionable. In practice– partly because most of them regarded themselves as being underpaid - many came to regard expenses as being **entitlements**, not something which needed to be justified in each case. They were encouraged in this belief by successive party leaders, implicitly or explicitly. "We can't pay you higher salaries because that is too difficult politically. But to make up for that you can have a generous expenses regime." Crucially, the salaries of MPs were a matter of public record. The expenses claimed by any individual MP were not.

Not surprisingly what many MPs therefore did was simply to bundle up receipts for household expenses which usually added up to just below the maximum claim without any real attempt to consider whether they related to money they had spent in the pursuit of their duties in Parliament. So

claims were paid in relation to some surprising things – including duck houses or the cleaning of moss from the walls of one MP's country estate.

It was also possible to game the system. In principle which was your main home – for which you paid yourself- and which your second home – which was supported by public funds – was supposed to be determined by objective factors – where you spent most of your time, where your children went to school and so on. In practice a few MPs decided that on the basis of what gave them the biggest financial advantage, and to change their designations not once but several times. In one famous case a government minister claimed that her main home was the back room of her sister's house in London, so that she could claim for the costs of a fairly large family house in her constituency.

It was also possible to claim the cost of mortgage interest instead of rent. This might have been rational. It could have resulted in lower claims, particularly for longstanding MPs whose mortgages would be largely paid off. But a few took advantage of that to change the designation of their second homes depending on where their mortgage payments were highest. What outraged members of the public even more when it all came out was that if they were clever MPs could finance the purchase of a significant asset in the form of a house with public support, enjoy a large capital gain when they came to sell it, and then even avoid paying any tax on that gain. It was possible to designate the same house as your principal residence for tax purposes and your second home for the purposes of paying expenses.

It was also possible to exploit the system in other ways. There was and still is no bar on employing members of your own family. In one highly publicised case an MP was employing two of his own sons with public funds, but was unable to demonstrate that they were actually doing any work for him.

The unsatisfactory nature of this state of affairs was apparent even to many MPs. A number of attempts were made by Parliament to reform themselves. But these attempts tended to fizzle out in the face of some determined opposition and no real support from the House authorities.

The issue was finally brought to a head by a determined attempt by an American journalist to obtain details of the expenses claims of individual MPs under the Freedom of Information Act. That attempt was fiercely resisted over a long period by the House of Commons on a variety of grounds, including an attempt to claim Parliamentary privilege. Eventually MPs had to concede in the face of a legal judgement in the High Court.

The result was an enormous amount of bad publicity, a media witch hunt of many individual MPs whose behaviour was thought to be particularly egregious, a significant amount of very real public anger and eventually our inquiry and a new and much less exploitable regime from the start of the new Parliament.

The consequences for many individual MPs, and for trust in Parliament as a whole, were very serious. A few were effectively hounded out of public life. Almost all faced public abuse, including many who were almost certainly innocent of any wrongdoing apart from not challenging what some of their colleagues were doing. Politicians in the UK have always ranked low in the esteem of the general public, often undeservedly so. Surveys regularly put them down with estate agents and red top journalists as the groups of people trusted the least by the public. Even that degree of trust took a further knock because of the expenses revelations. A Eurobarometer survey last July at the height of the crisis suggested that only 17 per cent of the British public trusted Parliament, a fall of 11 per cent compared with the previous year. The corresponding figures for France and Germany were 33 per cent and 46 per cent respectively.

Some of the more extreme commentaries at the time suggested that there was a more general crisis of trust in public office holders and in the public services, of which what happened to MPs was only one prominent example.

<u>Lessons to be learnt</u>

Some of the features of this episode were unique to MPs. But it would be a mistake to think that many of the things that went wrong could not be repeated elsewhere. There are a number of lessons

to be learned from the affair about the importance of the seven principles of public life and the role they can play in maintaining standards.

Leadership

First, leadership.

Leadership come last in the list of principles. But it is one of the most important. Unless holders of public office promote appropriate values by leadership and example they will not be embedded in the culture and behaviour of their organisations. You can have as many codes of practice as you like. Public sector organisations in the UK have lots of them. But they won't achieve anything unless they are supported by strong leadership

The tragedy of MPs' expenses is an example of what can go wrong when people who ought to have been showing leadership in a standards area failed to do so. The leaders of the house, and the leaders of the political parties, must have known that the expenses culture in the House of Commons was pernicious. But in the absence of openness and freedom of information they did nothing about it. The result has been serious damage to the reputation of both Parliament as a whole and of MPs individually. It might have created a fine spectator sport for a while. But the overall effect is deeply damaging for trust in public institutions, and to the consent of the governed which is a necessary part of democracy. We will all suffer as a result.

That said, I am conscious that it is possible to exaggerate the extent of the decline in public trust relative to some golden time in the past. It is worth remembering that in 1944, at the height of the war when we were all supposed to be pulling together, a survey on public views of the motivations of politicians concluded that 35% were motivated by self-interest, 22% by their party's interests, and only 36% their country's interests.

Openness

The second lesson is about, openness. The House of Commons expenses system was the opposite of transparent.

Some in the House of Commons fought very hard to keep it that way, not least by outrageously attempting to claim that it should not be subject to the Freedom of information Act which they themselves had passed.

I firmly believe that the arrival of complete transparency of expenses claims has been as important to the reform of the system as any of the detailed changes my committee recommended and which have now been implemented. Many of the expenses claims that were made would simply not have happened had those concerned known that they would be publicly available and likely to be publicly scrutinised.

The paradox is that although greater openness and transparency elsewhere have undoubtedly raised standards of behaviour in public life they have also contributed simultaneously to a decline in public confidence as people become aware of things which had previously been hidden from public view.

A 2008 survey by the UK Information Commissioners Office suggested that 75 per cent of respondents believed that freedom of information increased confidence in public authorities. I doubt that that is really the case. The Committee's own surveys were showing declining trust in those who govern us even before the expenses scandal broke. But I do not regard that as an argument for

suppressing information. It should instead be a spur for public organisations and public office holders to raise their game.

Accountability

The third requirement is for institutional arrangements which support accountability and do not impede high standards of behaviour.

MPs are, of course, ultimately accountable through the ballot box. But as far as their expenses were concerned there was very little accountability to anyone except themselves because of a lack of transparency and a largely ineffective system of audit.

In theory MPs expenses were audited by the National Audit Office. In practice that audit was not allowed to go beyond the signature of an honourable member. If he or she signed a piece of paper to the effect that expenses claimed were wholly, necessarily and exclusively incurred in the performance of their Parliamentary duties, that was regarded as the end of the matter.

The position was made worse by the fact that there was no independent element in the system. MPs could and did determine themselves the arrangements for their own expenses. There was effectively no outside check, and no real scrutiny of what they decided.

That has now been put right in the new arrangements. An independent parliamentary Standards Authority has been set up to decide, pay and monitor MPs expenses. In due course this new body will also take on responsibility for determining MPs pay and pensions as well.

Ethical values and performance

I am sure that I do not need to tell this audience that strong ethical values are not simply about morality. Organisations that want to achieve sustainable, enduring success need to focus on how they do things as well as what they do. Research in the UK has consistently found a relationship in the public sector between organisations that practice the virtues of openness, accountability and so on and successful performance.

A healthy ethical culture is also more likely to produce individual and organisational behaviours that increase public trust in the organisation. A trusted organisation is more likely to be listened too and engaged with. This can be particularly important when, as now in the UK unpopular decisions will be needed as the public sector responds to the current economic challenges.

Conclusion

That concludes what I wanted to say. I have probably gone on too long already. Thank you for listening to me. I would be delighted to answer any questions if time permits.