

*Check against delivery*

Thank you for that introduction.

It is now two years since Derek Conway and his children sprung to public attention. Two years in which MPs and House of Commons officials have faced a steep and painful learning curve. Two years characterised by false starts and initially rather half-hearted attempts at reform. Two years of missed opportunities.

It was clear at the time of the Conway case – and had been clear for some time before that – that there were weaknesses in the expenses system. But many continued to believe, or professed to believe, that these were isolated instances. It was not until the revelations appeared in the Daily Telegraph that it became fully apparent how deep the systemic failures really were.

In retrospect these shortcomings should not have come as any great surprise. Reliance on self regulation alone has failed for almost every other professional group. Why should we have expected Members of Parliament to be any different?

It is now apparent to everyone, including the vast majority of MPs, that the system for reimbursing their expenses fell far short of the standards set by the seven principles of public life in a number of key respects:

- To begin with the regime was basically dishonest. Expenses were widely seen as a substitute for what many believed to be inadequate levels of salary – a view encouraged by some who should have known better. The result was that many of the rules were seriously out of line with the more rigorous approach to expenses expected elsewhere.
- This feature also helps to explain – though not to excuse – some of the more bizarre claims. If £24,000 or so of expenses to support the cost of a second place of accommodation is regarded as an entitlement – and not as something that has to be justified as wholly necessarily and exclusively related to being an MP - then it should not be surprising that some MPs thought it did not really matter what receipts you sent in as long as they related in some way to housing and added up to that amount.

- The regime was far from transparent. One of the more shameful aspects of the whole episode is the way in which the House of Commons fought for so long against the notion that the Freedom of Information Act should apply to them in the same way as it does to everyone else in public life. Had the Act applied from the beginning of 2005, I doubt that many of the subsequent claims would have been made and many individual MPs would not have got into the trouble they did. I have been told by more than one MP that I do not understand the complexity of the issues about the Freedom of Information Act. I do not accept that for one moment. In my view the question was a very simple one
- To add to the lack of transparency the system was not even audited properly. There was a form of external audit. But until the current financial year it was not able to go beyond a Member's signature. If an Honourable Member certified that an expense had been properly incurred, that was regarded as the end of the matter.
- Finally – and I will come back to this point – a number of those who ought to have shown leadership in maintaining high standards failed at key points to do so. It is in my view greatly to the credit of the Speaker of the House, John Bercow, that he is now giving such a strong personal lead to the need for reform.

As everyone recognises, the consequences of this systemic failure have been extremely damaging – not just for Parliament as an institution but for many individual MPs. It may even wash over on to other public office holders. No one can be happy about this. It was a fine spectator sport for a while, and a degree of scepticism about those in authority is a healthy part of a functioning democracy. But the current degree of public distrust of politicians is now well past that point – and it will take more than implementation of the recommendations of our report to get it back to a more healthy balance.

The recommendations of my Committee have been well publicised. They were accepted in full by the leaders of all three main political parties virtually instantaneously - with some minor party politicking round the edges.

We are used as a committee to eventually having most of our recommendations accepted. But it does not usually happen quite so quickly, or with such completeness.

The truth is, of course, that the degree of public outrage over what had happened was so great that the party leaders had no real alternative. That gave us a great deal of power. We tried very hard to exercise that responsibly.

I am pleased therefore that in the weeks since, none of our recommendations have been seriously challenged, though a few of them were greatly disliked by some of those affected.

Nor has Sir Ian Kennedy and his fellow members on the newly created Independent Parliamentary Standards Authority in the limited time available to them sought to change the really key ones in a fundamental way – though they have, as they are fully entitled to, imposed their own judgement on ours on a number of issues. In some cases they want to be tougher than us. In others less tough.

Naturally, particularly after the exhaustive process of evidence taking and discussion that we had undergone in reaching them, we continue to think that our recommendations were right. We will be explaining why when we respond to his consultation paper shortly.

To those who would attempt to suggest that there are major differences between Ian Kennedy and my committee I would say that he is only doing what he is obliged to do by the legislation which set the IPSA up. I strongly suspect that in the rush to pass that legislation last July, when the emphasis was mainly on issues of Parliamentary privilege, no-one can have fully thought through the transition after we reported. If they had, I doubt that anyone would have designed an arrangement that virtually guaranteed that the issue of MPs' expenses will remain on the front pages for a few months yet, when everyone ought to have hoped that we could have resolved it at the beginning of November and moved on to other things.

I do not propose to go through our recommendations in detail. I am happy to discuss any of them when we come to questions. I thought instead that it would be more useful to use the rest of my time to make some general observations.

The first and most obvious is about the importance of process. We came under some pressure at the beginning to complete the inquiry very rapidly indeed. The Prime Minister and others had an understandable desire to dispose as quickly as possible of an issue that was causing a good deal of anguish and distraction from important matters of state.

I am pleased to say that the members of my committee resisted that pressure. As the result of a good deal of hard work by the secretariat and others we did complete the inquiry in about half the time we would normally have taken to complete an inquiry of this magnitude. But we were determined to do it thoroughly

We regarded it as fundamentally important that our recommendations should not be produced simply by a process of introspection in a committee room. To be credible they needed to be firmly based on evidence, and everyone who had something to say on the issue needed to be given the chance to say it, and in many cases to discuss it with us.

That inevitably takes time. During seven months of consultation and deliberation we received and read over 700 pieces of written evidence, held focus groups across the country, each spent time with an MP watching their work first hand and interviewed 76 witnesses at public hearings – including at least two who are honorary senior research associates at the Constitution Unit. I am confident that our recommendations are much better founded as a result.

There is a general point here. The committee has no existence in statute. We have no power to demand evidence. Nor to enforce our recommendations.

We rely instead on what we say being sufficiently well argued and authoritative, and our recommendations being firmly based on evidence. So the process by which we reach our conclusions is crucial. If we are to maintain authority it is important that the way we conduct our inquiries is itself above reproach - manifestly independent, based on evidence and not prejudice, open and transparent and giving everyone who wants the chance to contribute.

My second comment is that despite all the fuss our recommendations are not at all radical. They may be radical in House of Commons terms. But not to anyone else. In the main they amount simply to applying to MPs the same principles that apply to virtually everybody else— no personal gain should arise from what is supposed to be the straightforward reimbursement of expenses necessarily incurred in doing the job, redundancy pay to be available only where there is genuine redundancy and so on. The difficult areas arise mainly in the transitional arrangements – in particular what to do about existing employed family members, or MPs with existing mortgages.

A number of MPs sought to argue that they were more like small family businesses, and should be treated as such. I understand the point, of course. But I reject the analogy completely where expenses are concerned. MPs are public office holders, supported by public money. Allowing the employment by the MP of members of their own family paid out of public funds will always create at the very least the perception of nepotism. That is why the practice is now banned in Germany, in the US House of Representatives, in Scotland and even in the European Parliament.

Third, some of you may be surprised to learn that as the result of conducting this inquiry my respect for many MPs has increased. Not for the way they have dealt with expenses, of course. The resistance they collectively showed to reform, the costly and deplorable attempt to exempt individual expenses claims from the

Freedom of Information Act and the willingness of many who behaved with integrity themselves to go along with a flawed regime do not show Parliament in a very good light.

But I have gained a heightened appreciation of the difficult and demanding jobs that MPs do, the many and persistent demands they face, the diverse roles they are required to play and the intense climate in which they operate. I regard it as important that they should be given adequate resources to do their jobs effectively.

I say this partly because there was an attempt by some, even before our report was published, to denigrate our recommendations on the grounds that they would somehow create a Parliament that was only accessible to those with private means. I did not think that argument held water and I am pleased, though not at all surprised, that we have heard no more of it recently. It was always very difficult to make a rational argument that restricting repayment of expenses to expenses genuinely and reasonably incurred would inhibit anyone we might want to be an MP from becoming one. If there is an issue about the quality of new recruits to those who govern us – and the case for that is by no means made out - then it is something which should be addressed by increasing pay or, for example, by adopting more family friendly hours. Not by allowing expenses to be fiddled.

Fourth, it is impossible in my view to overestimate the importance of structure. The detailed recommendations we have made about the expenses scheme are necessary – and I believe correct. But in my view even more important for the longer term are the changes which have already taken place, or will shortly take place, in the framework. Specifically:

- Transparency. I have already argued that if transparency of expenses claims had existed in the past the present situation would be unlikely to have come about and many more MPs would be retiring at the next election with their reputations intact.
- The introduction of more effective scrutiny, both by the media and through a robust system of audit.
- The removal from MPs of the right to set their own expenses and the creation of an independent body charged with doing that. If the House had not legislated to set up IPSA last July we would certainly have recommended a similar structure. As it was they sensibly anticipated us.
- Giving the same body responsibility for determining MPs pay as well as expenses. Bearing in mind how the expenses scheme became undermined in the first place, I regard this as one of the most important of the

recommendations made by the Committee, though it has attracted relatively little attention in the media.

Lastly, and perhaps most importantly of all, the MPs' expenses affair has reinforced our understanding of the importance to high standards of leadership. Unless holders of public office promote the seven principles of public life by leadership and example the necessary standards will not be embedded in the culture and behaviour of their organisations. You can have as many rules and codes of practice as you like. They will not achieve much unless they are supported by strong and effective leadership. The tragedy of MPs expenses is an example of what can go wrong when people who ought to have been showing leadership in relation to standards failed to do so. There were many who must have known that the expenses culture in the House was pernicious. But in the absence of openness there was no real pressure for change and they did little about it. The result has been deeply damaging not just to Parliament but to that public trust in those who govern us which is a necessary part of democracy. We have all suffered as a result.

Thank you for listening. I would be delighted to answer any questions.