

Embargoed: 18:30 hrs, Monday 22nd March, 2010

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Monday 22 March 2010, 18:30 - 19:30

ippr, 30-32 Southampton Street, Covent Garden, London

May I begin by thanking my hosts for allowing me, on behalf of the Board of IPSA, to speak here this evening. May I also congratulate them on the recent report "A Future for Politics" which addresses in a careful and considered way, some of the challenges facing the business of politics. Of particular interest to us in IPSA is the need to find a way through the current period of anger and distrust: we must take account of it but must not be ruled by it. And, we are not unaware of what the report calls the "anti-politics" forces and the potentially corrosive effect they have on our democratic institutions.

You will know that IPSA was born into a world which was experiencing its local variant of global warming. I sought to make clear in my speech to the Hansard Society in January (was it so recent?!), how IPSA saw the challenge given to us by Parliament. Our responsibility is to come up with a new scheme for MPs' expenses which will be fair, workable and transparent. It must be part of and contribute to the process of restoring the public's confidence in Parliament and those who represent us there. It must also allow MPs to do their job. I explained that we had made two fundamental decisions at the outset: that it would be a scheme of "expenses" and not "allowances" and that it would not be built on the rubble of the old system of allowances, if system it was, but rather on a careful look at what MPs need by way of support from the public purse. We saw our task as answering what I called the big exam question: what does a modern twenty-first century legislator need from the public purse to do the job properly and serve both constituents and country. Our scheme for expenses which we shall announce a week today will begin to address that question.

You will recall that we stressed how much a departure from the past IPSA represented. Over 300 years of self-regulation swept aside by a Bill waved through Parliament in just over 3 weeks. Independent regulation is the new order of the day, at least as regards the House of Commons.

What have we been doing since the speech in January in which we highlighted the launch of our consultation document? Well, the consultation closed on February 11. Although the time available was shorter than we would have wished – we were driven by the imperative of having a scheme ready to meet the assumed timetable for a general election – we were pleased with the scale and range of responses received. The consultation took a number of forms: meetings with those persons and

organisations set out in the statute, including 4 open meetings with MPs, on-line responses, public meetings in Birmingham, Belfast and Edinburgh, and polling. In all we had over 2,500 responses, 2,400 from members of the public and over 50 from MPs.

You can see the responses on our consultation web-site, which we made public on March 5th, as an early example of our intention to work openly. This is not the place to engage in a detailed examination of the responses, but I notice here the wide-scale endorsement of the principles which will guide us and the commitment to a scheme of expenses rather than allowances. Opinions varied as you would expect on a number of the particular matters that we consulted on. MPs were particularly anxious that we understood what it means to be an MP and how representing Orkney and Shetland brings different challenges from those met by the representative of an inner London constituency: one size does not always fit all. There were, of course, calls for the status quo and appeals to IPSA to safeguard the dignity and status of MPs. I merely remark that the status enjoyed by MPs is almost entirely in their hands. But, that said, we found many of the contributions made by MPs thoughtful and helpful. The views of all, public and Parliamentarian, are important and we have taken them very seriously.

And, before moving on, I ought to mention that we have been closely monitoring the progress of the Constitutional Reform and Governance Bill. It has a number of provisions which would expand the role of IPSA. MPs' pay and pensions would become our responsibility and IPSA would have a Compliance Officer, the enforcement mechanism, if you will, that was missing from the original Act and is an important part of the overall architecture. Responsibility for pay will take us into new territory. But, we will have time to think it through since pay is already fixed for the year 2010-2011. No doubt we will consult widely, and if you will have us, I'm sure IPSA will want to come back and talk to all of you again.

So, armed with all the material that we have received and the analyses of those who advise us, we have had our heads down for the past several weeks, getting our teeth into the issues (if you will forgive the mixed metaphor) as we shape the new scheme. It is a collective effort. You will recall that my colleagues on the Board bring a range of skills and experience, as set out in the statute creating IPSA, which are of great importance in this process of weighing the various positions advanced. It wasn't as clear from the statute that the Chairman would need the particular skills of chairing a debate between a senior judge, an ex-MP, a very senior accountant, and a businessman! We have all argued back and forth (and sometimes sideways) as we work through the matters to be decided. Let me give you an example, in general terms only, since I am anxious not to set hares running in advance of announcing the scheme.

We have made it clear that we understand and accept the proposition that the scheme of expenses should not, whether as an intended or unintended consequence, discriminate adversely against anyone who wishes to be elected to Parliament. To capture the point in the language that was used to us, nobody wants or needs a House of Commons made up only of the wealthy and the nerdy. We were

clear in our minds that it was not IPSA's job to promote diversity (however defined) among MPs. Equally, we were sure that we should not put avoidable barriers in the way of anyone. In our consultation document we sought to make this clear by saying that we would have appropriate rules for MPs with "caring responsibilities", as regards accommodation away from their principal home and as regards travelling between Westminster and the constituency. We were pressed during the consultation on who might be included as having "caring responsibilities". We were reminded of the case for having MPs who had young families and understood the challenges of finding a school or dealing with the local NHS. We were also reminded that causing an MP to live away from her or his young family was not in the interests of that family nor the wider public interest. And we were reminded of the single parent who had no-one to fall back on.

So, we had to wrestle with whom to include within the rules and for how long, and whom to exclude, and how we should administer the system so that it would be clear, transparent and yet not inappropriately intrusive. We considered the arguments, we argued among ourselves and we reached a view which we think strikes the right balance. And, we did so in the knowledge that we will keep the scheme under annual review. If any part of it needs amendment, we will revisit it.

IPSA is not, of course, just the five of us who make up the Board. We have a team behind us. I pay tribute to the team on behalf of the Board for the hard work and dedication (and the long hours) devoted to ensuring that IPSA will be ready to provide the service that MPs deserve from the first day of the new Parliament (whenever that will be). A huge amount of work is going on behind the scenes. The timetable is extremely tight. The Board recognises the risks that this engenders but is confident that the deadlines can be met. Let me just give you a hint of what I mean by a huge amount of work. I do so because I think it important that those who are affected by what we do and those who comment on us should understand that new independent public bodies do not just create themselves on the wave of a Whitehall wand. A completely new IT system has to be commissioned, designed, tested, and put in place which will process MPs' claims for expenses and take on responsibility for the payroll of MPs and their staff across the country, more than 2500 people in all. Premises have to be found and made ready for IPSA to occupy. The organisation has to be designed so as to operate efficiently and effectively. Staff with the right skills and experience to move into the right jobs have to be recruited. Staff have to be trained and supported as they take on new responsibilities. Materials have to be produced for training MPs and their staff in the new scheme. Training programmes for our staff and MPs and their staff have to be designed. A helpline has to be established and staff trained to provide the necessary guidance and advice. The website which will be the window into the conduct of MPs and of IPSA must be set up, tested and put into operation. A scheme for whistle-blowing must be established. I could go on, but you will have got the picture. IPSA has to resolve a complex range of ethical and practical issues and establish a viable and credible organisation, all in a matter of a few months. Our aim is – and always has been – to start to deliver services to MPs from the day after the election. I say 'start' because we will not do everything in one big bang; that would be to court disaster. Instead, we will introduce our new services over the first few weeks of the new Parliament.

And, of course, we have to do this job on our own. IPSA is not part of Parliament nor the civil service. It cannot fall back on their resources. Hence the I in IPSA. We would not want it any other way, but I mention it to set our task in context.

It may also be helpful here to refer briefly to the cost to the public purse that IPSA will represent. There has been talk of this, so it might help if I offer some clarification. The first thing to do is to separate IPSA's start-up costs from the running costs thereafter. The former have been known publicly for some time. They amount to some six-and-a-half million pounds. Some thought it important to point out that £6 million is six times more than that recovered from MPs after Sir Thomas Legg's investigation. So it is. But, I'm not sure what follows from that. IPSA's costs are to establish an independent regulatory system while Legg's £1 million was a one-off recovery for over-payment. Apples and pears come to mind. Or to coin another expression which at least sounds more grounded in statistics, it's a case of the runaway denominator.

IPSA's start-up costs reflect the need to establish a team to implement Parliament's will, find premises, set up an infrastructure and invest in that which will allow us to provide a good service. If Parliament establishes an independent regulatory body, such costs are the unavoidable consequences. The more important question, I venture to suggest, is what will IPSA's running costs be. As you may know, I and our Chief Executive were due to appear before the Speaker's Committee on March 31st to present IPSA's budget. That meeting has now been postponed. The budget is currently being finalised, but I can share with you two observations. We are confident that the direct costs of the operational staff running the expenses scheme will be less than those of the staff currently performing the same duty for the House of Commons' Department of Resources. Secondly, we will keep our costs under review, with a view to becoming progressively more efficient.

Mention of the authorities in the House reminds me to say that we are working very closely with them to ensure a smooth transition of both staff and functions. MPs and their staff are entitled to know from day one where to go and whom to turn to for guidance and advice. We will do our best to meet their needs.

And, finally, before I move on, I recognise that you will, quite rightly want to know how IPSA will conduct itself as it goes about its business? If we expect MPs to observe certain standards, we can't fail to do the same ourselves. We can't belong to the school of "do what I say, not what I do". So, we will work in the open, demanding the same transparency of ourselves that we expect of MPs. We will, for example, broadcast meetings of the Board on our web-site, as well as publishing Minutes and other papers. At the same time, we will always keep in mind the proper demands of security and privacy. And, of course we will be accountable. It would be at least unfortunate if one self-regulating body was replaced by another. It is important, therefore, to know that while we are independent, the Act of Parliament which created us also regulates us, as regards our accounts, audit and annual reports.

Let me now look up from the detail of our operational activities and stand back a little. Let me first draw your attention to the thinking which informed our approach to the scheme. Then, I'll look to the future and IPSA's place in it.

In drawing up the scheme, certain strands of thought informed our analysis. First, we see it as crucial both to recognise the anger felt by the public and to seek to balance that current feeling against the need to establish a scheme which will last. We do not see it as IPSA's role, indeed it would be wrong, to build a scheme based on punishment. A scheme based on a foundation only of blame will not survive long, nor will it contribute to a gradual regaining of trust between MPs and those who elect them. It will simply embed a feeling of resentment, and perhaps reluctance to enter national politics, among MPs and their potential successors. And, it will reinforce among the wider community a mentality that punishment is the default mode when dealing with politicians, because they are not to be trusted and will abuse any system if given half the chance. But, just to be clear, if there is abuse, IPSA will bear down heavily on the abuser. The public, and I venture to suggest, MPs would expect nothing less. This will be the role of the Compliance Officer. No-one, least of all IPSA, wants a state of affairs whereby some bad apples can poison the whole barrel. Bad apples will be rooted out.

We have to find a way forward which pays due regard to the current mood but is not entirely driven by it. In doing so, we have to recognise the existence of what one of the papers in "A Future for Politics" describes as the forces of "anti-politics". They would have us believe that the institutions of government and those who populate them are all corrupt and not to be trusted. The sub-text is that they must be brought down.

So, we have had to stick to our task: to remind ourselves of what I have called the big exam question: what does a modern 21st century legislator need from the public purse to do the job properly, and, confining ourselves to expenses, come up with a scheme that transcended the immediate and reached out to the future.

Secondly, we recognised that the creation of IPSA and our approach to our task represent a complete break with the past. As I have said, some Parliamentarians have struggled to understand and accept this. We have been struck, however, by the many who have recognised the tide of history and have genuinely tried to help us. We do not want to make mistakes and I am happy to acknowledge that we have been saved from doing so on a number of occasions by timely reminders or interventions from all quarters.

IPSA represents the recognition that independent regulation must replace self-regulation. This is a huge cultural shift for Parliamentarians. We acknowledge the need to work sensitively with them as they negotiate new territory. We will have the advantage that, in all likelihood, a significantly large number of them will be new to the House and thus will know no other system but IPSA's. This point has wider importance. IPSA is the future. IPSA's approach to expenses will be the only one. It will not avail anyone to hark back to the old system. Things have moved on. The old ways are dead.

Thirdly, we have been keen to emphasise the limited reach of our work. I am not referring here to the fact that we are only charged with responsibility for expenses and that the level of MPs' pay is not currently for us. Rather, I am referring to the fact that there are a number of matters having to do with the working of the House

of Commons which are not for IPSA to address, but which have implications for any scheme of expenses that IPSA might come up with. Let me give you a concrete example. Much has been made of the difficulties and even dangers that MPs may be exposed to in getting home after a vote at 10.30pm. Lonely stations at the end of the line have been described. And, on the basis of this picture, the case has been made for support for travelling home, for example in taxis. Such support, of course, in the form of expenses, is a charge on the taxpayer. But, the big point often lost in the discussion of mileage, or taxi versus public transport versus staying in a hotel, is the fact that this call for financial support only arises because the House of Commons chooses to work its own idiosyncratic hours. The same point can be made regarding the argument that MPs require funds to meet the cost of food if they have to stay in the House of Commons in the evening and into the night. Again, it's a point that only arises because of the way in which the House of Commons chooses to work. To put it clearly, ways of working engender calls for expenses which translate as a charge on the public purse. Ways of working, therefore, become directly a matter of value for money.

Starting and ending the working day when most others do would largely make a number of problems go away. And, it would save a lot of money. But, efforts to change the hours of working remain largely unsuccessful. And to those who say that they must work in the House into the night, whatever the formal hours of sitting it is not inappropriate to say that at some point it becomes a matter of choice for the MP, which should not necessarily give rise to a claim for expenses.

The final strand of our thinking that is worth noting here is what I will call, if I may, our mantra. We have aimed to produce a scheme of expenses that is fair, workable and transparent. Let me begin at the end with transparency. This is a very important component of our thinking and of the new scheme. Transparency, above all else, will serve as re-assurance to the public that the rules are being observed. It will have a chilling effect on any temptation to bend, let alone break the rules.

IPSA, perhaps most important of all, an MPs constituents, as well as the media, both local and national, will know how much public money has been spent and on what. A quick reference to IPSA's website will be all that's needed. As a consequence, transparency will set us on the first stage towards that recovery of confidence in our democratic institutions that IPSA is keen to play its part in achieving.

As for workable, the scheme will be as simple as possible. Complex rules produce uncertainty and complex responses. A system which strives to be simple is better both for MPs and for the public who wish to hold them to account. As for fairness, it does not just pop out and identify itself. It has to be worried about and argued about. And, crucially, not everyone will agree. It is possible, indeed inevitable, that on some issues reasonable people can disagree, but, and here's the most important part, they will remain just as reasonable after the disagreement as they were before. As your report "A Future for Politics" notes on a number of occasions, one of the identifying features of politics (and I would add ethics) is that not everyone can have what they want. Our scheme of expenses will be no exception.

Now, what of the longer term? In due course we will have to wrestle with other challenges. We will take them one at a time. Perhaps the largest challenge is to be part of the discourse called for in "A Future for Politics": what is and should be the role of an MP. This is of importance to IPSA because it is IPSA which must ultimately allocate the public's money to allow the MP to carry out this role. Speaking personally, the sooner we begin this conversation the better. It has been clear to us as we have listened to the many representations made to us during the consultation process, that the centre of gravity for many MPs has shifted from Whitehall to the constituency. The role of challenging the Executive and scrutinising legislative proposals in Parliament has become rivalled, (some might say supplanted) by attention to case-work, taking up the concerns of constituents. It is not for IPSA to determine what an MP is for. That's a debate that the country must have. But we are interested, because of what it will say about the financial needs of MPs.

We are also aware of recent events in the House of Lords and calls from some quarters for IPSA to take over responsibility for the expenses and other remuneration of the House of Lords. Indeed, in the debate in the House of Lords only this afternoon the weakness of self-regulation was acknowledged and the possibility of IPSA's having a role in the future was raised. Of course, that's for others to decide and really is for another day. That said, I offer a few comments here. First, IPSA has got more than enough on its plate right now. Second, I have some experience of what some commentators call the tendency of regulators towards "mission creep". IPSA has no hegemonist tendencies. But, and there is a but, the case for replacing self-regulation with independent regulation should not arbitrarily stop at the door of one House of Parliament. If its time has come, it has come for Parliament as a whole.

So, what is our aim? We want a scheme of expenses which works well from the outset. We recognise that it may need adjustment: that we may not get everything right the first time. We expect MPs, commentators and the public to let us know. But, more than adjustment, the scheme will also need to be developed. There are some matters on which, for lack of time, we are taking shorter term decisions. We intend to examine them in greater depth as soon as we can. They include such issues as accommodation in London, some aspects of staffing for MPs, and the very difficult matter of seeking to differentiate between the parliamentary and the party political. As regards these and other matters, we would expect to maintain a dialogue with the public. In addition, we propose to hold a series of seminars in which we can draw on the collective wisdom and experience of organisations represented here and others who can help us. In this way we will develop and refine IPSA's vision and strategy for the future.

May I end by reminding you all that there is the future and there is the future, meaning the next several weeks. IPSA will be publishing its scheme next week into a political atmosphere which is swirling with election fever. It is not the environment that we would have chosen in which to invite measured commentary on what is, in any event, in its own right, a highly-charged subject. Moreover, because we are making choices, using judgement, seeking out that which is fair, there will be those who disagree with us. That is both inevitable and entirely healthy. We welcome the debate that will follow. It is only through debate and argument that we will,

progressively, refine the new regime. But the key point is that we will soon have a new regime. One based on independent regulation. Regulation which is fair, workable and transparent.

Thank you.