



House of Commons  
Liaison Committee

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# **Parliament and Government Finance: Recreating Financial Scrutiny**

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**Second Report of Session 2007–08**





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**Second Report of Session 2007–08**

*Report, together with formal minutes*

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## The Liaison Committee

The Liaison Committee is appointed to consider general matters relating to the work of select committees; to advise the House of Commons Commission on select committees; to choose select committee reports for debate in the House and to hear evidence from the Prime Minister on matters of public policy.

### Current membership

Mr Alan Williams MP (*Labour, Swansea West*) (Chairman)

The Chairmen for the time being of the Select Committees listed below:

Administration – Mr Frank Doran MP (*Labour, Aberdeen North*)  
Business and Enterprise – Peter Luff MP (*Conservative, Mid Worcestershire*)  
Children, Schools and Families – Mr Barry Sheerman MP (*Labour/Co-op, Huddersfield*)  
Communities and Local Government – Dr Phyllis Starkey MP (*Labour, Milton Keynes South West*)  
Culture, Media and Sport – Mr John Whittingdale MP (*Conservative, Maldon and Chelmsford East*)  
Defence – Mr James Arbuthnot MP (*Conservative, North East Hampshire*)  
Environmental Audit – Mr Tim Yeo MP (*Conservative, South Suffolk*)  
Environment, Food and Rural Affairs – Mr Michael Jack MP (*Conservative, Fylde*)  
European Scrutiny – Michael Connarty MP (*Labour, Linlithgow and East Falkirk*)  
Finance and Services – Sir Stuart Bell MP (*Labour, Middlesbrough*)  
Foreign Affairs – Mike Gapes MP (*Labour/Co-op, Ilford South*)  
Health – Mr Kevin Barron MP (*Labour, Rother Valley*)  
Home Affairs – Keith Vaz MP (*Labour, Leicester East*)  
Human Rights (Joint Committee) – Mr Andrew Dismore MP (*Labour, Hendon*)  
Innovation, Universities, Science and Skills – Mr Phil Willis MP (*Liberal Democrat, Harrogate and Knaresborough*)  
International Development – Malcolm Bruce MP (*Liberal Democrat, Gordon*)  
Justice – Mr Alan Beith MP (*Liberal Democrat, Berwick-upon-Tweed*)  
Northern Ireland Affairs – Sir Patrick Cormack MP (*Conservative, South Staffordshire*)  
Procedure – Mr Greg Knight MP (*Conservative, Yorkshire East*)  
Public Accounts – Mr Edward Leigh MP (*Conservative, Gainsborough*)  
Public Administration – Dr Tony Wright MP (*Labour, Cannock Chase*)  
Regulatory Reform – Andrew Miller MP (*Labour, Ellesmere Port and Neston*)  
Scottish Affairs – Mr Mohammad Sarwar MP (*Labour, Glasgow Central*)  
Selection – Rosemary McKenna MP (*Labour, Cumbernauld, Kilsyth and Kirkintilloch East*)  
Standards and Privileges – Sir George Young MP (*Conservative, North West Hampshire*)  
Statutory Instruments – David Maclean MP (*Conservative, Penrith and The Border*)  
Transport – Mrs Gwyneth Dunwoody MP (*Labour, Crewe and Nantwich*)  
Treasury – John McFall MP (*Labour/Co-op, West Dunbartonshire*)  
Welsh Affairs – Dr Hywel Francis MP (*Labour, Aberavon*)  
Work and Pensions – Mr Terry Rooney MP (*Labour, Bradford North*)

### Powers

The powers of the Committee are set out in House of Commons SO No 145. These are available on the Internet via [www.parliament.uk](http://www.parliament.uk).

### **Publications**

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at [www.parliament.uk/parliamentary\\_committees/liaison\\_committee.cfm](http://www.parliament.uk/parliamentary_committees/liaison_committee.cfm).

### **Committee staff**

The current staff of the Committee are Helen Irwin (Clerk), Robert Wilson (Second Clerk), Kevin Candy (Committee Assistant) and Catherine Close (Secretary). For this Report they were assisted by Dorian Gerhold, Matthew Hamlyn, Simon Fiander, Justine Matthews and Glenn McKee.

### **Contacts**

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## Summary

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There is universal agreement that parliamentary scrutiny of the Government's finances (especially planned expenditure) needs to be improved. Recent changes have made the House's financial scrutiny better, but have not transformed it.

The problem is not the House's *powers* in financial matters but the ability and willingness of the House and Members to scrutinise such matters in the degree of detail required to hold the Government to account. The purpose of financial scrutiny is to make the Government's financial decisions transparent, to give those outside Parliament the opportunity to comment, to have the opportunity to influence the Government's financial decisions, and to hold the Government, individual departments and other public bodies to account, thereby contributing to an improvement in financial decisions and management and improved value for money in public services.

Financial scrutiny is not a narrow exercise of poring over figures, but is about ensuring effective management of finite resources to achieve purposes such as better hospitals or better-equipped troops. Knowledge of Departments' or the Government's finances should underlie and inform much of the work of departmental select committees and the House.

The history of financial scrutiny shows that there was never a golden age in which the House rigorously scrutinised every line of the Government's Estimates and routinely rejected or reduced requests for funding.

### **The complexity of the Government's financial system**

The Government's financial arrangements and reporting are extremely complex, mainly because they bring together three different frameworks created at different times for different purposes: departmental budgets determined in Spending Reviews; Estimates, which seek parliamentary authority for spending which Parliament has not authorised in other ways; and resource accounts. Complicated reconciliations are needed to relate one to another.

This has damaging consequences, including the difficulty of understanding the various reporting documents and of following through from planned spending to actual spending and what it has achieved. Also, parliamentary control is based on Estimates, which are the least comprehensible reporting documents and reflect decisions already made in Spending Reviews. Departments themselves struggle to compile and understand the figures.

Following recommendations by the Treasury Committee, the Treasury has established the Alignment Project to improve consistency between spending plans, Estimates and accounts, making it possible to follow the figures from one document to another. The Treasury will consult "key stakeholders", including the House. The Project will probably result in proposals for major changes in the basis of Parliament's financial control and in the ways the Government reports financial information to the House.

Reducing complexity is fundamental to improving financial scrutiny, as well as financial management in Departments. Much will depend on the detail of the Alignment Project's

proposals, but we emphasise the magnitude of the prize potentially available: a comprehensible and coherent system of planning, authorising and reporting government expenditure, making it possible for the House and select committees to scrutinise the Government's finances far more effectively.

### **Financial reporting**

Parliament is not currently receiving the information required for effective financial scrutiny. Better-quality information is needed rather than greater quantity. The Alignment Project may provide some help, but will not be enough on its own.

The principles which should underlie the Government's financial reporting to Parliament are that it should: include the sort of information which a Department's managers use to monitor performance, rather than just financial control and audit information; enable an overall view of planned expenditure; highlight the information which is significant; relate the information to objectives and to what is achieved by spending the money; identify key risks; use graphs; be provided in good time; use plain English; and enable an assessment of the quality of financial management. The Report makes more specific proposals based on these principles, and invites the Treasury to enter into a dialogue about implementing them.

Improved financial information combined with increased scrutiny by select committees would be a powerful influence in raising the quality of Departments' financial management.

### **Making financial scrutiny worthwhile**

Financial scrutiny will not flourish unless Members regard it as a worthwhile use of their time. This requires: a sensible division of tasks between select committees and the House; ability to engage with financial issues before the Government makes decisions; opportunities to debate and vote on financial decisions after the Government has made them; and expert assistance for Members. The recent Comprehensive Spending Review illustrates the scope for improvement.

The only days available on the floor of the House for debating individual Estimates are the three Estimates Days a year, but these have failed to achieve their potential because of the artificiality of the link with Estimates. The House has too many general debates, in which the Government is rarely challenged, and too few opportunities to challenge the Government on specific matters. The House should take back the right to debate and vote on individual government programmes or items of expenditure. The selection of programmes or items should be made by select committees, and more than the present three days a year should be available for this purpose.

### **Conclusion**

Financial scrutiny is a fundamental part of the House's duty. For too long the House has shirked the task of providing itself with the means to carry out that duty effectively, and it needs to be more assertive. The practical steps we have proposed are achievable, and would benefit the Government as well as the House.













































































