



House of Commons
Procedure Committee

Should there be a Commons Budget Committee?

Tenth Report of Session 2017–19

*Report, together with formal minutes relating
to the report*

*Ordered by the House of Commons
to be printed 3 July 2019*

Procedure Committee

The Procedure Committee is appointed by the House of Commons to consider the practice and procedure of the House in the conduct of public business, and to make recommendations.

Current membership

[Mr Charles Walker MP](#) (*Conservative, Broxbourne*) (Chair)

[Bob Blackman MP](#) (*Conservative, Harrow East*)

[Kirsty Blackman MP](#) (*Conservative, Aberdeen North*)

[Mr Peter Bone MP](#) (*Conservative, Wellingborough*)

[Bambos Charalambous MP](#) (*Labour, Enfield, Southgate*)

[Sir Christopher Chope MP](#) (*Conservative, Christchurch*)

[Nic Dakin MP](#) (*Labour, Scunthorpe*)

[Chris Elmore MP](#) (*Labour, Ogmores*)

[Sir David Evennett MP](#) (*Conservative, Bexleyheath and Crayford*)

[Helen Goodman MP](#) (*Labour, Bishop Auckland*)

[Mr Ranil Jayawardena MP](#) (*Conservative, North East Hampshire*)

[Sir Edward Leigh MP](#) (*Conservative, Gainsborough*)

[David Linden MP](#) (*Scottish National Party, Glasgow East*)

[Melanie Onn MP](#) (*Labour, Great Grimsby*)

[Nick Smith MP](#) (*Labour, Blaenau Gwent*)

[Gareth Snell MP](#) (*Labour (Co-op)*)

[Mr William Wragg MP](#) (*Conservative, Hazel Grove*)

Powers

The powers of the Committee are set out in House of Commons Standing Orders, principally in SO No. 147. These are available on the internet via www.parliament.uk.

Publication

Committee reports are published on the Committee's website at www.parliament.uk/proccom and in print by Order of the House.

Evidence relating to this report is published on the [inquiry publications page](#) of the Committee's website.

Committee staff

The current staff of the Committee are Martyn Atkins (Clerk), Dominic Stockbridge (Second Clerk), Jim Lawford (Committee Assistant) and Alasdair Rendall (Media Officer).

Contacts

All correspondence should be addressed to the Clerk of the Procedure Committee, House of Commons, London SW1A 0AA. The telephone number for general enquiries is 020 7219 3351; the Committee's email address is proccom@parliament.uk.

Contents

Summary	3
1 Introduction	5
This inquiry	5
2 Existing scrutiny in the House	7
Scrutiny of Estimates, and of supply legislation	7
Scrutiny of Government Spending Reviews	9
Ongoing committee work in relation to Government expenditure	11
Annual Reports and Accounts	11
The Public Accounts Committee	12
The Treasury Committee	12
Our view	13
3 Ex ante scrutiny in other Parliaments	15
Budget scrutiny in similar legislatures within the OECD	15
Budget scrutiny in devolved institutions: Scotland	16
Budget scrutiny in other OECD Parliaments	17
Provision of financial information for the purposes of scrutiny	18
International best practice and the UK	19
4 What a House of Commons budget committee could do	21
The remit of a budget committee	21
The Government's view of proposals for a budget committee	22
Potential tasks for a budget committee	24
Our view	27
5 Support for a new committee	28
Existing financial scrutiny bodies	28
National Audit Office	29
The case for a Parliamentary Budget Office	30
Our proposed solution: enhancement to the House of Commons Scrutiny Unit	32

6 Conclusion	34
Conclusions and recommendations	35
Formal minutes	41
Witnesses	42
Published written evidence	43
List of Reports from the Committee during the current Parliament	44

Summary

The requirement for the House of Commons to approve Government spending plans is a fundamental constitutional principle. The Government presents its expenditure plans, and its proposals to raise revenue to fund them, to the House of Commons. The House must give explicit approval to both. This is the basis of the annual Estimates cycle and Budget cycle, resulting in Supply and Appropriation Bills and Finance Bills. The Government separately organises its medium-term expenditure planning via internally-conducted Spending Reviews: the House has no formal locus for scrutiny or approval of these plans.

The mechanisms open to the House to scrutinise how Government plans to spend its resources are limited, and those that exist are underused. While all departmental select committees are charged under Standing Order No. 152 with examining the expenditure of the Government departments they shadow, we are not persuaded that they discharge this responsibility as thoroughly as they should; many do not examine departmental expenditure at all. The Treasury Committee does extremely important work across a wide remit but does not at present perform systematic *ex ante* ('before the event') scrutiny of Government spending plans. We are not convinced that the committee presently has the capacity to undertake systematic Estimates scrutiny alongside its current busy schedule. The Public Accounts Committee is rightly renowned for the *ex post* ('after the event') scrutiny it conducts of Government spending on particular projects and programmes, and its close relationship with the National Audit Office substantially enhances the House's ability to examine how Government has spent taxpayers' money. Its scrutiny, though thorough and systematic, is no direct substitute for examining Government's proposed expenditure in advance.

In every other OECD state, the national legislature has a degree of formal committee scrutiny as part of its expenditure approval process. Models vary. Rapporteur systems, such as in Italy, leverage the expertise of departmental committees to inform the conclusions a central budget committee makes about Government spending allocations. In Sweden, sectoral committees report to the Finance Committee on suggested allocations for almost 500 individual expenditure lines. In Ireland, a new Committee on Budgetary Oversight carries out *ex ante* scrutiny of revenue and expenditure options for the budget, as well as inquiring into broader expenditure-related topics as it sees fit. Although there is no separate budget committee in the Scottish Parliament, a newly-revised budget process allows a process of pre-budget consultation between the Parliament and the Scottish Government that ensures that concerns over spending plans raised by Scottish Parliament committees receive a formal response.

We are convinced that this House would benefit from a dedicated budget committee to scrutinise Government spending allocations. A budget committee with a suitably tight remit would not find its work overlapping with the important work discharged by other select committees. We envisage that a budget committee would take a leading role in examining the rationale behind decisions made during Spending Reviews, requiring Government to justify its medium-term plans and any inherent trade-offs therein. A budget committee would provide consistent monitoring of the implementation of Spending Review plans over the whole period covered by the review, with a focus on how annual spending plans in Main and Supplementary Estimates measure up to

Spending Review expectations. The work of the committee would be specialised and technical, attracting Members with an interest in financial scrutiny, and would help bridge a worryingly large scrutiny gap.

The Procedure Committee in the previous Parliament reported on the Estimates process. It found that information contained in Estimates documents was insufficient and unclear, and that the timeline for Estimates, where approval for the bulk of Government money in any financial year occurs after that year has begun, was not fit for the House's scrutiny purposes. We reiterate the concerns of that Committee. For example, the current timeline particularly disadvantages a committee looking to scrutinise Supplementary Estimates. The Government must do more to demystify expenditure planning and offer a truly clear line of sight over its use of taxpayers' money, by better presentation of Estimates information. More information should be provided and at a more granular level. We note the abundant information available to Parliamentarians and the public in Canada and New Zealand, and challenge the Government to aspire to similar levels of transparency and clarity.

We have examined the support available to budget committees in other Parliaments. The model of a Parliamentary Budget Office (PBO) to give specific support to a budget committee, headed by an independent Parliamentary Budget Officer, is attractive. We envisage that the support provided should also be available to individual Members. Establishing a new budget office will be resource-intensive. Further consideration of the exact functions it is to undertake and the resource it might need is necessary. Committees undertaking financial scrutiny are presently supported by experts in the House of Commons Scrutiny Unit. We recommend that the House authorities examine how the financial scrutiny function of the Scrutiny Unit could be enhanced and developed into a Commons Budget Office.

This report does not suggest an exact model for a budget committee. No overseas equivalent is exactly suited to this House, and to import a model directly from another OECD state would be inappropriate. Our report challenges the House to examine whether it is satisfied with its current ability to scrutinise Government spending allocations. In our view, the current arrangements are not satisfactory. The establishment of a new Committee—specialised, and properly supported—would go some way to reducing the existing deficit in oversight.

Should the House decide to pursue this proposal further, we stand ready to carry out further work and to propose an exact model for the House to implement.

1 Introduction

1. The requirement for the House of Commons to approve Government spending plans is a fundamental constitutional principle. The Government presents its expenditure plans, and its proposals to raise revenue to fund them, to the House of Commons. The House must give explicit approval to both.

2. The House “authorises the various objects of expenditure and the resources to be used and the sums to be spent on each.”¹ The procedures for doing so are, in their essence, very long-standing, but have, in the course of successive procedural reforms, been reduced to mere formalities. When our predecessor Committee inquired into the process for approving public spending plans, it found that the current process for approving Government Estimates was “not a means of controlling spending decisions” and “should not be presented as a sufficient means of performing that fundamental democratic role of a legislature”.²

3. How the Government plans to achieve the aims of its intended expenditure, and whether in doing so it is likely to achieve adequate value for money, are legitimate questions for the House and its committees to ask. Presently, there is little opportunity for them to do so.

This inquiry

4. In this inquiry we have set out to build on the work of our predecessor Committee by examining in greater detail the case for “the establishment of a dedicated committee of the House, with specialist support, to examine and report to the House on the merits of Government spending plans.”³ Our starting point has been the Leigh-Pugh report: the report of the 2011 review of options to improve Parliamentary scrutiny of Government expenditure, undertaken by Sir Edward Leigh and Dr John Pugh at the invitation of the then Chancellor of the Exchequer, George Osborne. Chief among the report’s recommendations was the establishment of a budget committee, supported by a Parliamentary Budget Officer, with functions which would include:

- scrutiny of Estimates between presentation and Royal Assent to the resulting Bill;
- taking evidence about the capability and capacity of spending departments and their arm’s-length bodies;
- considering the budget figures for forthcoming years set out in departments’ Annual Reports and Accounts;
- advising departmental select committees which areas merit further examination; and
- reporting to Parliament generally on the feasibility of the Government’s plans.⁴

1 *Erskine May*, 25th edition (London, 2019), para 33.3

2 Procedure Committee, Fifth Report of Session 2016–17, [Authorising Government expenditure: steps to more effective scrutiny](#) (HC 190)

3 *Ibid.*, para 93

4 Sir Edward Leigh and Dr John Pugh, [Options to Improve Parliamentary Scrutiny of Government Expenditure](#) (2011), p. 18

The report was presented to the Chancellor of the Exchequer, but it appears to us that no action was taken on its findings. The Permanent Secretary to the Treasury at the time told us the report “got lost somewhere in the process of the coalition Government” and they Treasury “had missed a trick” in not considering the establishment of a committee.⁵

5. In the course of this inquiry we have examined whether the House should establish such a committee; what its functions should be; what resource it would require; where good practice exists internationally; and whether there is still a requirement for wider systemic change in how the House approves expenditure in order for such a committee to be effective. We have come to two broad conclusions: first, that the House’s arrangements for prior scrutiny of Government spending plans are manifestly unsuitable; and second, that a scrutiny model based on a House of Commons budget committee offers a workable alternative.

6. It is high time for the House to consider whether it is content with the present arrangements for scrutiny of Departmental spending proposals, or whether it wants change. We intend this report to challenge the status quo and to promote systemic change.

7. We received written evidence from several national Parliaments, Members of this House, and experts in financial scrutiny in the UK and further afield. We took oral evidence from: the Chairs of the Public Accounts, Treasury, and Housing, Communities and Local Government Committees, and other backbench Members; Scottish National Party Spokesperson for the Economy, Kirsty Blackman MP, Shadow Chief Secretary to the Treasury, Peter Dowd MP, and the Chief Secretary to the Treasury, Rt Hon Elizabeth Truss MP; a former Permanent Secretary to the Treasury, Lord Macpherson of Earl’s Court; the Institute for Government; the Organisation for Economic Cooperation and Development; Professor David Heald, Professor of Public Sector Accounting at the Adam Smith Business School, University of Glasgow and Dr Joachim Wehner, Associate Professor in Public Policy at the London School of Economics. We are grateful to them all for contributing.

2 Existing scrutiny in the House

Scrutiny of Estimates, and of supply legislation

8. Twice in each fiscal year the House approves the supply and appropriation of sums to the Government from the Consolidated Fund. Money collected through general taxation is thereby disbursed to the Government for expenditure on public services. The House gives its approval by adopting resolutions authorising the payment of money requested by the Government, and then passes Supply and Appropriation Bills giving legislative authority for the expenditure. Standing Order No. 56 currently requires all questions on Supply and Appropriation Bills brought in on Estimates resolutions to be put forthwith; there can be no debate on such legislation.

9. As our predecessor Committee demonstrated, the scope for scrutiny of these proposed expenditure figures is truncated.⁶ There is no opportunity for overall consideration of the very substantial requests for supply routinely made by the Government. Charlie Elphicke used the example of the Supply and Appropriation (Anticipation and Adjustments) Act 2019 to demonstrate the House's limited scrutiny of supply legislation, saying:

It authorises the spending of nearly £300 billion of hard-earned taxpayers' money without any debate. It was not debated at the second reading, it was not debated at the third reading; blink and you miss it. It went through on the 27th of February. We completely failed to have any oversight of how our hard-earned taxpayers' money is spent. I think that that is inexcusable and needs to change.⁷

10. The detailed proposals for expenditure are contained in the Government's Supply Estimates.⁸ Since the reform of Supply procedure in 1982, opportunities to debate Estimates have been limited to three days in each Estimates cycle. Following our predecessor committee's report in April 2017 and our report of January 2018, the Backbench Business Committee and the Liaison Committee are piloting arrangements intended to give backbenchers the opportunity to initiate debates on Estimates worthy of scrutiny.⁹ We plan to report on our evaluation of this pilot in September.

11. Formal opportunities for debate are limited, and opportunities to debate or to amend the ensuing legislation are non-existent. The House can in theory use the period of time available between laying and approval to scrutinise by other means the content of and rationale for Government spending plans. Our predecessor Committee examined the existing scrutiny window and concluded that it is insufficient for proper scrutiny of, or influence upon, the content of Estimates.

6 Procedure Committee, Fifth Report of Session 2016–18, [Authorising Government expenditure: steps to more effective scrutiny](#) (HC 190)

7 Q 79 (Charlie Elphicke MP). On the date the Committee agreed this report, the Supply and Appropriation (Main Estimates) (No. 3) Bill received an unopposed second and third reading under Standing Order No. 56. The Bill authorises Government departments to spend a total of £301.3bn in revenue expenditure and £47.3bn in capital expenditure.

8 Standing Orders do not require Main Estimates to be laid within any certain time frame, but the benefits to the Government of the procedure for agreeing Main Estimates set out in Standing Order No. 55 are only available until 5 August in each financial year.

9 Procedure Committee, Fifth Report of Session 2016–18, [Authorising Government expenditure: steps to more effective scrutiny](#) (HC 190), para 83; Procedure Committee, Third Report of Session 2017–19, [Debates on Estimates days: piloting new arrangements](#), HC 739

12. In response, the Government asserted that “currently Parliament has significant time to quality assure and scrutinise the Main Estimates. In a usual year, they are laid in April and voted on in July, allowing around three months for Parliamentary scrutiny.”¹⁰ A recommendation for a wholesale recast of the timing of the Government’s requests for supply was rejected.

13. Although the Government has told us that it is “committed to publishing the Supplementary Estimates as soon as possible” within the constraints on scheduling, the period between the presentation of the Supplementary Estimates and the Government’s request for approval—a timetable set entirely by the Government—remains unacceptably tight. The Supplementary Estimates for 2018–19 were laid on 11 February 2019 and the Government scheduled the ensuing Estimates day for 26 February.¹¹

14. Our predecessor’s view that the time available is not sufficient for effective scrutiny was broadly confirmed in the evidence we received, especially in respect of Supplementary Estimates.¹² Martin Wheatley, Senior Fellow at the Institute for Government, cited as an example one of the 2018–19 Supplementary Estimates:

I was looking at the Department for Education estimate this morning and there is £2 billion in there for local authority schools’ capital. It is a huge amount of money. What exactly is that being spent on? That is one point.

Secondly, and continuing with that example of schools’ capital, what does the Department and the Treasury expect to get for that £2 billion? Of the backlog of maintenance in schools how much of that is going to be addressed by that spending?¹³

He went on to say that there was “lots of scope for really forensic examination” of Estimates to enable scrutiny of what Government “may not be choosing to talk about”.¹⁴

15. For the Government to assert that it allows “significant time” for quality assurance and scrutiny of the Main Estimates is beside the point if the House has not put arrangements in place to ensure that these tasks are undertaken effectively.

16. Responsibility for examining Estimates on the House’s behalf rests with departmental select committees, each of which is appointed to examine the expenditure, administration and policy of a Government department.¹⁵ One of the eleven core tasks for departmental

10 [Government Response to the Fifth Report of the Committee, Session 2016–17, Authorising Government expenditure: steps to more effective scrutiny \(HC 190\)](#), p. 4

11 *Ibid.*, p. 2. Standing Order No. 55(2)(b) requires Supplementary Estimates to be laid at least fourteen days in advance of the day on which a motion to approve the Estimates is to be taken; there is in theory no limit on how far in advance of that time Government could choose to provide Supplementary Estimates documents if it so wished.

12 [CBC 07](#) (Professor David Heald), paragraph 4; [CBC 15](#) (Lord Macpherson of Earl’s Court), paragraph 4

13 Q76 (Martin Wheatley)

14 Q76 (Martin Wheatley)

15 Standing Order No. 152(1). Note that when it reviewed the House’s arrangements for scrutiny of Estimates in 1981, the Select Committee on Procedure (Supply) recommended no change to the powers and structure of departmental select committees over Estimates, pending implementation of more thorough reforms to supply procedure. Those reforms were not, in the event, ever implemented. The Committee recommended that “for the moment [. . .] (a) the role of the existing departmentally-related Select Committees in relation to the estimates should be advisory rather than functional, and (b) that the relevant estimates be formally submitted to each departmentally-related Select Committee and that those Committees should allot some time each session to the examination of their departmental estimates, but that the amount of time and depth of such scrutiny should be a matter for each Committee to determine.”. First Report from the Select Committee on Procedure (Supply), Session 1980–81, HC (1980–81) 118-I, para 50.

select committees, as recommended by the Liaison Committee and approved by the House in January 2013, is in respect of expenditure and performance: each committee is empowered to “examine the expenditure plans, outturn and performance of the department and its arm’s length bodies, and the relationships between spending and delivery of outcomes.”¹⁶

17. The extent to which select committees choose to undertake Estimates scrutiny as part of this task varies. The Institute for Government examined the work of the five departmental committees that shadow the five largest-spending Government departments during the 2018–19 Estimates cycle.¹⁷ None had taken oral evidence on the Estimates, and only two had exchanged correspondence with the relevant department. The debates on the Main Estimates in July 2018 covered matters which entailed substantial public expenditure, but the Institute for Government found little evidence of a direct link to the spending plans set out in the 2018–19 Estimates.¹⁸

18. **In many respects the House’s scrutiny of Estimates does not live up to expectations.**

- **Formal scrutiny of annual Estimates is limited, and the resulting legislation passes both Houses almost by default.**
- **The House has limited opportunities for proper examination of the sums the Government has asked it to appropriate.**
- **The departmental select committee system does not provide the systematic quality assurance and scrutiny of Estimates which the Government claims is undertaken once its spending plans are presented to Parliament.**

This disadvantages Members in their understanding of how public money is being used, and their capacity to make recommendations to Government about how it might be better spent.

Scrutiny of Government Spending Reviews

19. The annual Estimates cycle is the method by which the Government implements medium-term spending plans made in periodic Spending Reviews. The Chief Secretary to the Treasury emphasised to us the importance of the Spending Review.¹⁹ Responding to our predecessors’ report, the Treasury observed that “the Spending Review (SR) is where the overall budgets are agreed and presented to Parliament; it is effectively a draft budget for the future years of the SR.”²⁰

16 The core tasks recommended by the Liaison Committee and approved by the House on 31 January 2013 are listed on the Liaison Committee’s website at <https://www.parliament.uk/business/committees/committees-a-z/commons-select/liaison-committee/core-tasks/>

17 [CBC 18](#) (Institute for Government). The Committees examined were: Education; Housing, Communities and Local Government; Health and Social Care, Defence, and Work and Pensions.

18 [CBC 18](#) (Institute for Government), paras 7–9

19 Q139 (Rt Hon Elizabeth Truss MP)

20 [Government Response to the Fifth Report of the Committee, Session 2016–17, Authorising Government expenditure: steps to more effective scrutiny \(HC 190\)](#), p. 4

20. Unlike the Estimates, there is no procedural mechanism for the House to scrutinise the methodology or content of Spending Reviews, which are wholly Governmental in nature. The Spending Review process itself is opaque to those not directly involved. Ms Angela Eagle, reflecting on her time as a Treasury Minister, told us

I think Treasury rather enjoys its monopoly of the overall Government view, and it rather enjoys the advantage it has in having that oversight when nobody else has it. In my experience, Treasury likes to throw its weight around, particularly with spending Departments during the negotiations for a Spending Review.²¹

Lord Macpherson of Earl's Court, a former Permanent Secretary to the Treasury, praised the expertise and precision of Treasury officials assisting Ministers with the review, but admitted the process was not perfect:

Where the system tends to break down slightly is, as you get towards the end of the process, it is very important that the numbers add up, but often the politicians will not take decisions that mean that the programme outcomes are consistent with the numbers. At the end of it, there are lots of secret [...] side letters that promise you access to the reserve for building Crossrail or whatever, which is not on the whole revealed to Parliament.²²

21. This lack of transparency concerned other witnesses, as did the lack of structured Parliamentary involvement in the process. Professor David Heald proposed that:

There ought to be a serious discussion between Parliament and the Executive about when the spending reviews take place, so that one can plan scrutiny. [...] Parliament ought to be involved in a public expenditure prospects inquiry.²³

22. Spending Reviews do not go wholly unscrutinised. Nevertheless, it is striking that in the two decades since their introduction no structured or reliable mechanism has yet been established to engage the House and its committees in systematic scrutiny of what the Treasury describes as “the draft budget” for a multiannual expenditure programme.²⁴ Departmental select committees might have been expected to track the progress of major multi-annual expenditure settlements affecting the departments they shadow: but since select committees determine their programmes of work under the “core tasks” framework based on individual priorities, substantial gaps in oversight can easily develop.

21 Q96 (Ms Angela Eagle MP)

22 Q47 (Lord Macpherson of Earl's Court)

23 Q3 (Professor David Heald)

24 The last Spending Review, the outcome of which was announced in November 2015, was the subject of inquiries by six select committees (Treasury, Health, Northern Ireland, Transport, Science and Technology, and Foreign Affairs), one Estimates Day debate, one Westminster Hall debate, and one debate on an Opposition Day motion (for all, see [Votes and Proceedings, 25 November 2015](#) ff). In July 2016 the National Audit Office issued a report examining “whether the spending review is an effective mechanism for planning and allocating public money in the medium term.” (see Report by the Comptroller and Auditor General, *Spending Review 2015*, HC 571, 21 July 2016). Between 26 November 2015 (first sitting day after the Spending Review was presented to the House) and 1 August 2016, 223 questions for written answer making reference to the Spending Review were tabled, and it was referred to in 843 written answers (source: analysis of data from [Parliamentary Search](#)).

23. Were there to be a more systematic approach by existing committees, or a new committee, the advantages could include:

- Better information to the House and to the public about whether Government policy aims are being met at the expected cost across a Spending Review period; and
- A greater incentive for Government to explain better the meaning of the figures in Spending Reviews and resultant Estimates, and how they relate to spending across Government—particularly where a policy area is split across departments.

24. We note that the Housing, Communities and Local Government Committee has launched an inquiry into local government funding and the forthcoming Spending Review.²⁵ Nicky Morgan told this Committee that the Treasury Committee was “already planning” its schedule of scrutiny for that review.²⁶ ***We recommend that each committee undertaking scrutiny of the Government’s forthcoming Spending Review should, as part of their inquiry, examine the arrangements for parliamentary oversight of the Review. We recommend that they consider and report on any improvements in the Spending Review process which would facilitate the scrutiny of future Spending Reviews by select committees.***

Ongoing committee work in relation to Government expenditure

Annual Reports and Accounts

25. Departmental select committees often hold annual evidence sessions reviewing the annual report and accounts of their Departments. The Public Accounts Committee has in addition typically taken evidence from HM Treasury on the Whole of Government Accounts.²⁷ Meg Hillier, Chair of the Public Accounts Committee, told us that it was most appropriate for departmental committees to examine the accounts of the departments they shadow as “they have very detailed knowledge of the policy and, therefore, can look at the money in that way”²⁸ In contrast, Richard Bacon told us that committees scrutinised accounts “with nothing like the detail that I think is required”.²⁹

26. There is no standard approach to the scrutiny of departmental accounts, and little evidence of systematic scrutiny of the connection between Government spending plans and the results achieved. Although scrutiny of annual reports and accounts requires a Department to justify its spending over a financial year, such scrutiny is inherently after the fact or *ex post*;³⁰ it does not necessarily ensure that lessons learned from previous mistakes are factored into future expenditure plans.

25 The terms of reference of the inquiry are available at:

<https://www.parliament.uk/business/committees/committees-a-z/commons-select/housing-communities-and-local-government-committee/inquiries/parliament-2017/inquiry18/>

26 Q205 (Rt Hon Nicky Morgan MP)

27 See, for example, Public Accounts Committee, Seventy-fourth Report of Session 2017–19, *Whole of Government Accounts*, HC 464

28 Q185 (Meg Hillier MP)

29 Q177 (Mr Richard Bacon MP)

30 *Ex post* refers to scrutiny of spending effectiveness place after money has been spent; similarly, *ex ante* refers to scrutiny of spending plans before money has been spent.

27. The Public Administration and Constitutional Affairs Committee has made a comprehensive report on the structure, content and usability of Government Annual Reports and Accounts.³¹ Many of their concerns about these documents resonated with our predecessor's conclusions about Estimates documentation.

The Public Accounts Committee

28. Witnesses to the inquiry praised the House's strong tradition of *ex post* scrutiny of Government spending via the Public Accounts Committee, supported by the National Audit Office.³² Lord Macpherson's evidence made clear the significant chastening effect the prospect of scrutiny before that Committee has on the most senior officials in Government.³³ National Audit Office analysis found that 90% of the Public Accounts Committee's recommendations during the 2018–19 financial year were accepted.³⁴ This is a formidable rate of success.

29. The Chair of the Committee, Meg Hillier, emphasised to us the rigour with which her committee revisits areas of concern to ensure that lessons are learned and value for money improves. She cited the example of the Home Office's Emergency Services Network programme, on which the Committee had taken oral evidence eight times.³⁵

30. The value of such persistence, and the outcomes achieved, are evident, even though it does not inherently constitute the kind of *ex ante* scrutiny of expenditure plans that the House currently lacks. Meg Hillier was keen for her Committee to have an advance role in scrutinising plans for specific Government projects to identify likely problems.³⁶ Scrutiny of this nature cannot substitute for a broader *ex ante* scrutiny process capable of drawing on cross-cutting themes, cross-departmental projects, and aggregate spending concerns across financial years.

The Treasury Committee

31. The Treasury Committee's remit is broad. Under its Standing Order it is to scrutinise the administration, expenditure and policy of HM Treasury and HM Revenue and Customs. It has a statutory responsibility to carry out functions in relation to the appointment of senior staff at the Office for Budget Responsibility (OBR). In addition to these requirements, it has taken on the discretionary task of scrutinising the financial sector and its regulators and examining proposed appointments at the Bank of England.³⁷ Like the Public Accounts Committee, it discharges its heavy workload with great diligence and effectiveness. The Institute for Government nevertheless expressed concerns that such breadth of remit "means that there is a lot of pressure on that Committee's time".³⁸

31 Public Administration and Constitutional Affairs Committee, Fourteenth Report of Session 2016–17, [Accounting for democracy: making sure Parliament, the people and ministers know how and why public money is spent](#), HC 95

32 Qq81, 94, 127, 214; [CBC 07](#) (Professor David Heald), [CBC 05](#) (OECD) p. 9

33 Q45 (Lord Macpherson of Earl's Court)

34 National Audit Office, [Annual Report and Accounts 2018–19](#), p. 38

35 Q185 (Meg Hillier MP). At the time Ms Hillier gave evidence, the Committee had examined the subject seven times. It has since examined it again.

36 Q188 (Meg Hillier MP)

37 Standing Order No. 152(2); [National Audit and Budget Responsibility Act 2011](#), Schedule 1. The Treasury Committee has a historical role in pre-appointment hearings for senior staff at *inter alia* the Bank of England and the Financial Conduct Authority (see Treasury Committee, Eighth Report of Session 2015–16, [The Treasury Committee's scrutiny of appointments](#), HC 811)

38 [CBC 04](#) (Institute for Government), p. 5

32. The Committee sets its own priorities and allocates its resources to match. Given the Committee's existing commitments, it was not clear to us that the Committee would have enough time or resource to dedicate itself fully to the substantial additional commitment involved in scrutinising Government expenditure in the round. Evidence from other witnesses, including a serving member of the Committee, tended to support this observation.³⁹

33. Understanding that the Treasury Committee's substantial expertise is an excellent resource for the House, we asked witnesses whether a specific sub-committee of the Treasury committee to examine expenditure plans was a suitable compromise. Richard Bacon told us that the task of examining over £800 billion in Government expenditure was a job for a full Committee.⁴⁰ Charlie Elphicke agreed.⁴¹ Martin Wheatley said that "a standalone committee would be greatly preferable because of the status the committee and its chair would have".⁴²

Our view

34. No committee presently provides detailed *ex ante* scrutiny of Government expenditure plans. Those committees with the most appropriate expertise discharge their own remits with diligence, but have not demonstrably interpreted those remits to include advance scrutiny of expenditure plans. We are not persuaded that the departmental select committee system has the capacity to undertake this large new task in a comprehensive and systematic fashion.

35. Evidence suggests that there is considerable unmet demand in the House for opportunities to undertake thorough and systematic scrutiny of the Government's spending plans. The opportunities for debate on the 2019–20 Main Estimates offered by the Backbench Business Committee were heavily oversubscribed, with bids from backbenchers or groups of backbenchers comfortably outstripping bids from select committees.⁴³ We will report in due course on our evaluation of the Estimates Day debate pilot.

36. The comparative lack of *ex ante* financial scrutiny disadvantages the House in its ability to hold Government to account, and lessens the obligation on Government to explain transparently how it decides and embarks upon expenditure. The lack of any structure for systematic quality assurance and scrutiny of Estimates means that in practice Departments are rarely required to justify in advance the requests they make for expenditure.

37. The fortieth anniversary of the establishment of the departmental select committee system falls as we make this report to the House. It is time for the House to consider whether it is content with the priorities inherent in current arrangements for scrutiny of expenditure. *If these arrangements do not change substantially, we advise the House to adopt additional arrangements to provide the assurance which is so clearly required.*

39 Q2; Q47; Q80

40 Q178 (Mr Richard Bacon MP)

41 Q87 (Charlie Elphicke MP)

42 Q66 (Martin Wheatley)

43 [Oral evidence taken before the Backbench Business Committee on 18 June 2019](#)

38. We examine below the arrangements for scrutiny in a number of legislatures in other OECD states. We go on to examine the case for a fresh approach: a committee with a specific remit to examine spending plans across the whole of Government.

3 *Ex ante* scrutiny in other Parliaments

39. There is consensus that the UK’s arrangements for parliamentary scrutiny of Government spending plans are far from the international norm. The OECD describes the UK’s *ex ante* scrutiny as “weak relative to other OECD countries”: it is the only OECD country where there is no formal structure for the involvement of specialised parliamentary committees in the approval process.⁴⁴

40. Among OECD states, models for committee involvement vary: a number of different models are described briefly below.⁴⁵

Budget scrutiny in similar legislatures within the OECD

41. Scherie Nicol, Policy Analyst at the OECD, told us that

[Countries adopting the Westminster model of Parliamentary Government] tend to have the weakest traditions—the weakest Budget oversight among OECD countries—but it is fair to say that most Westminster countries have now made developments beyond the UK system that put them ahead.⁴⁶

Ireland

42. Working closely with the OECD, in 2017, the Irish Parliament established a Committee on Budgetary Oversight, supported by a Parliamentary Budget Office.⁴⁷

43. Like the UK, the Main Estimates in Ireland are not approved until after the financial year in question has started, curtailing Parliament’s ability to scrutinise Government spending plans before implementation. Regardless, the new Committee on Budgetary Oversight has developed the practice of making pre-budget reports: this gives it influence over Government spending plans as they develop. The Committee also carries out *ex post* scrutiny “to evaluate budget measures or to assess how budgeted spend or revenue projections compare with outturns.”⁴⁸ The Committee therefore appears well placed to assess the value for money of government spending and the realism of the assumptions underpinning its spending plans.

44. The Irish Parliament also has a bicameral Finance Committee, analogous to the Treasury Committee of the House of Commons, but tasked additionally with scrutiny of finance bills. To ensure comity between the work of the Finance and Budgetary Oversight Committees, the latter committee does not sit during legislative scrutiny of finance bills conducted by the former.

44 [CBC 05](#) (OECD), p. 1

45 For example, see OECD, [Budget Review of Italy](#) (Paris, 2016)

46 Q24 (Scherie Nicol)

47 The core tasks of that Committee are listed in [CBC 17](#) (Select Committee on Budget Oversight, Dáil Éireann), p. 1. Gender budgeting is the process by which budgeters analyse their work for differential impact of those of different genders.

48 [CBC 17](#) (Select Committee on Budget Oversight, Dáil Éireann), p. 1

Canada

45. The Canadian House of Commons' Standing Committee on Finance can report on matters pertaining to government budgetary policy between September and December in any given year.⁴⁹ The Canadian House of Commons Standing Committee on Government Operations and Estimates has in the past conducted pre-budget consultation exercises, allowing it to canvass the views of the public on Government's budget proposal and to make recommendations to Government. The OECD describe this as a "dialogue" through which "there is able to be a conversation between the Parliament and the Government about the extent to which the Budget is actually fit for purpose".⁵⁰

46. The Standing Committee on Government Operations and Estimates is empowered to review expenditure items across all departments, such as procurement and IT spending. It is also mandated to review Estimates, acting as a "lead to identify improvements in the process, form and content of parliament's financial scrutiny". The Canadian Parliamentary Budget Office told us:

We believe that the creation of this Committee has engendered greater interest in the Estimates on the part of parliamentarians. As a consequence, Parliament has invested more time and effort in valuable discussions about the adequacy of the information provided to committees, as well as financial due diligence on spending.⁵¹

Budget scrutiny in devolved institutions: Scotland

47. Kirsty Blackman, Scottish National Party spokesperson for the Economy, told us that the budget process in Scotland, while not including a budget committee, had been designed from first principles to permit more scrutiny than is considered possible at Westminster:

One of the principles of the Scottish Budget Process is that all MSPs should be engaged in it. It feels very different to the process here, where a very small number of MPs get to speak during any Budget process that we have, and there is no encouragement for Committees to have that level of involvement in advance or indeed after the Budget Process.⁵²

She observed that, given the electoral system for the Scottish Parliament and its multi-party composition, it was politically expedient for the governing party to consult across the legislature in order to achieve a majority for its Budget and Estimates.⁵³

48. In 2018, in accordance with a newly-agreed budget process, the Scottish Government began to undertake a process of pre-budget consultation and Parliamentary reporting similar to the Canadian model.⁵⁴ The Scottish Government, as part of its draft budget, responded to that report, and wrote to the Finance Committee and relevant policy committees to describe how their recommendations were being addressed.⁵⁵

49 Specifically, under Standing Order No. 83.1 of the Canadian House of Commons, the Committee may report between the first sitting day of September, and the third sitting day before the last scheduled sitting day in December.

50 Q17 (Scherie Nicol)

51 [CBC 01](#) (Parliamentary Budget Office, Canada), p. 1

52 Q123 (Kirsty Blackman MP)

53 Q124 (Kirsty Blackman MP). The Parliament elected in 2011 was the only one in which the governing party has had an overall majority.

54 Q17 (Scherie Nicol); a comprehensive description of current Scottish budget arrangements is: Scottish Parliament, [Guide to the new Scottish budget process](#) (10 May 2018)

55 Q17 (Scherie Nicol)

Budget scrutiny in other OECD Parliaments

49. Legislatures across the OECD adopt different models to govern interaction between their departmental committees and their budget committee.

Rapporteur models

50. The German Bundestag's budget committee operates through a strict rapporteur system, with the Budget Committee appointing a lead rapporteur and three assistants for each policy area, aligned to different party groups.⁵⁶ The rapporteurs retain responsibility for their policy area for the length of the Parliament. The Budget Committee then draws together its report, based on rapporteur input and reports from departmental committees, and proposes it to the executive for a response. The OECD described this model as “emerging best practice”, as it allows for central coordination by a Budget Committee and specialisation by departmental committees.⁵⁷

51. The Italian Parliament operates a different rapporteur system. Upon receipt of the Government's Budget Bill, sectoral committees are given around 10 days to consider the parts of the bill relevant to their remit. They then each report their finding to a central budget committee and appoint a rapporteur to participate in its sittings. The budget committees in each House accept, reject or amend the reports received from sectoral committees. The final text from the budget committees are debated in plenary, where further amendments can be proposed, before approval and presentation to Government for response.⁵⁸

Reporting between Committees in the absence of a rapporteur model

52. The Swedish Government refers its budget proposals to the Riksdag Finance Committee, which resolves the expenditure limit for each of Sweden's 27 expenditure areas. Every sectoral committee contributes to the resolution of that limit by allocating roughly 500 individual appropriations within their respective expenditure areas. They report their recommendations to the Finance Committee, which in turn decides on, and presents recommendations to the plenary on, the expenditure ceiling, proposals, and division of aggregate expenditure across expenditure areas.⁵⁹ In written evidence to the Committee, Dr Joachim Wehner praised the resulting “clear division of labour” between the Finance Committee and sectoral committees.⁶⁰ Unlike in the Italian model, there is no rapporteur representation on the Finance Committee.

53. The Swedish Finance Committee cannot recommend an overall increase in Government expenditure. It can suggest virements between provisional allocations but suggested increases in one allocation must be matched by reductions elsewhere.⁶¹

56 [CBC 05](#) (OECD), p. 4; [CBC 08](#) (Dr Joachim Wehner), p. 1

57 Q28 (Scherie Nicol)

58 [CBC 05](#) (OECD), p. 4; OECD, *Budget Review of Italy* (Paris, 2016)

59 [CBC 05](#) (OECD), p. 8

60 [CBC 08](#) (Dr Joachim Wehner), p. 4

61 [CBC 05](#) (OECD), p. 8

Provision of financial information for the purposes of scrutiny

54. In several Westminster-style systems, public financial information is far less impenetrable than in the UK.⁶² For example, each of New Zealand's Estimates contain a summary breaking down the exact proportions of Estimates appropriated for different purposes.⁶³

55. The Estimate goes on to list annual and permanent appropriations, making clear the exact purpose of each appropriation, and providing comparison with the Estimates and actuals from the previous financial year. An example of the information given in a typical Estimate (in this case, the Department for Health) is shown at Figure 1. Although the UK Government Estimates describe the broad purposes of funds supplied, they do not provide an exact breakdown of funds by purpose. Neither do Annual Reports and Accounts provide specific detail of exactly where public money has been spent. This curbs the ability of parliamentarians and the public alike to assess, understand and query the Government's spending decisions.

Figure 1: Extract from Estimate summary for the Department of Health, New Zealand

Titles and Scopes of Appropriations by Appropriation Type	2017/18		2018/19
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Departmental Output Expenses			
Health Sector Information Systems (M36) This appropriation is limited to the provision of information technology services and the publication of data and information derived from these services to the health and disability system.	53,395	52,306	55,618
Managing the Purchase of Services (M36) This appropriation is limited to purchasing services for the public and health and disability sector on behalf of the Crown, for those services where the Ministry has responsibility for the purchasing function (i.e. funding is not devolved to another entity).	42,523	42,523	41,974
Payment Services (M36) This appropriation is limited to the administration and audit of contracts and payments on behalf of the Crown and Crown agencies.	16,440	16,440	17,340

Source: [New Zealand Treasury: Health Sector - Estimate 2018/2019](#)

56. The Canadian Government publishes detailed spending information online.⁶⁴ Its webpage allows users to see aggregate Government spending, and then 'deep dive' into any particular spending area to see information on finances, personnel, and performance. Figure 2 gives an example of the summary information available. Below each summary are links to each specific departmental programme. Users can see the sum supplied to each

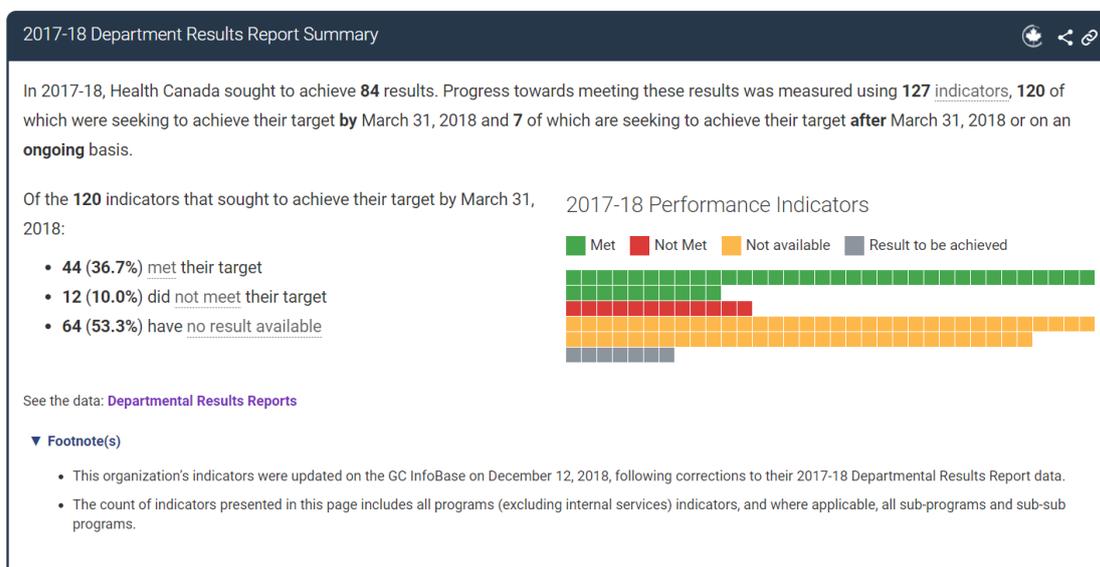
62 Q6 (Dr Joachim Wehner)

63 See, for example, a description of the breakdown of expenditure for the Department of Health: <https://treasury.govt.nz/publications/estimates/vote-health-health-sector-estimates-2018-2019.html>. The particulars of the spending of each DHB referenced via the link are available elsewhere on the website.

64 See <https://www.tbs-sct.gc.ca/ems-sgd/edb-bdd/index-eng.html#partition/dept/exp>. From this page, it is possible to select individual departments and examine expenditure on each of their individual programmes, including performance against targets and expenditure.

programme for the current financial year and predicted accruals over the three subsequent financial years. Targets for each programme are listed, alongside the methodology for assessing them.⁶⁵

Figure 2: Summary of performance indicators achieved in Canadian Department of Health, published as part of Government financial information



Source: [Government of Canada: Infographic for Department of Health—Results Report Summary](#)

International best practice and the UK

57. The comparative weakness of UK Estimates documentation continues to concern us, particularly when set against the quality of information available to other legislatures. Our predecessor Committee made several recommendations to Government about improving the accessibility and clarity of its Estimates documentation. These included providing financial data in a publicly accessible spreadsheet format, and publishing Estimates in a way “more suitable for lay readers”.⁶⁶ In 2019 the Treasury published some data in spreadsheet format for the first time.⁶⁷ The Public Administration and Constitutional Affairs Committee has made similar recommendations for Government to improve the format of Annual Reports and Accounts documents to make clear to readers how money has been spent on different policy areas.⁶⁸

58. The Government responded with a financial reporting review, which set out steps to be taken to improve the content and presentation of accounts.⁶⁹ While these reforms should help users better understand departmental expenditure, aims and activities, they are means to enable better scrutiny; they do not constitute better scrutiny in and of themselves.

65 See, for example, the Canadian Government’s Air Quality programme, which falls under its health budget: <https://www.tbs-sct.gc.ca/ems-sgd/edb-bdd/index-eng.html#orgs/program/H-BVH06/infograph/financial>

66 Procedure Committee, Fifth Report of Session 2016–17, [Authorising Government expenditure: steps to more effective scrutiny](#) (HC 190), pp. 38–39

67 See *HM Treasury: Main Supply Estimates 2019 to 2020* (May 2019)

68 Public Administration and Constitutional Affairs Committee, Fourteenth Report of Session 2016–17, [Accounting for democracy: making sure Parliament, the people and ministers know how and why public money is spent](#) (HC 95), para 27

69 HM Treasury, [The government financial reporting review](#) (CP 67), April 2019

59. In the UK, the House of Commons Scrutiny Unit analyses the Government's Estimates documentation and produces visualisations of each for publication online.⁷⁰ They are a far clearer and more user-friendly presentation of the same information and an example to Government of what can be done. **Any committee of this House undertaking comprehensive scrutiny of any aspect of Government spending plans must be able to see clearly how money has been spent in a previous year, and compare it to plans for spending the money the following year. We consider this to be an eminently achievable requirement.**

60. **If governments in systems based on the Westminster model are able so readily to publish abundant and usable expenditure information, and staff of the House, working with limited resources, are consistently and readily able to improve upon what is provided by Government, it is difficult to see why the Treasury persists in providing information on the Government's spending plans to Parliament in the current format.**

61. Individual Departments provide memoranda to departmental select committees to help with their interpretation of Estimates documents. Following a recommendation from our predecessor Committee, the House of Commons Scrutiny Unit reviewed these memoranda to assist the Government in identifying best practice.⁷¹ *We invite the Scrutiny Unit to update its comprehensive review of Estimates memoranda, undertaken in 2018, with a summary assessment of the extent to which the content and form of these memoranda has improved in line with the findings of that review.*

62. **Any committee of this House hoping to carry out meaningful scrutiny of Government expenditure can be forgiven for looking enviously at the information available to its peers in other jurisdictions. The Government has made some progress, such as the provision of expenditure data in spreadsheet format. Nevertheless, the Estimates documents remain in essence unfit for purpose, impenetrable to all except the most specialist reader.**

63. *We recommend that the Government urgently implements significant improvement to Estimates documents to make them easier to understand, clearer and more helpful to a non-specialist audience. We expect to see more granular data, better presented, published either within or alongside the 2020–21 Main Estimates. The Government should aspire to match the detail on expenditure plans available to Parliamentarians and the public in Canada and New Zealand.*

70 See <https://www.parliament.uk/mps-lords-and-offices/offices/commons/scrutinyunit/reports-and-publications/main-estimates-2018-19/>

71 Procedure Committee, First Special Report, Session 2016–17, *Review of Estimates memoranda by the House of Commons Scrutiny Unit: response to the Committee's Fifth Report of Session 2016–17* (HC 1156)

4 What a House of Commons budget committee could do

64. The underlying constitutional case for improving the House's scrutiny function in this way seems to us to be unanswerable. The House can expect Government to justify how it will use the sums supplied to it. Full scrutiny by the House ahead of approving spending proposals is therefore entirely appropriate. We examine below how a new committee on the model proposed in the 2011 Leigh-Pugh report might contribute to filling the scrutiny gap we have identified.

The remit of a budget committee

65. A Budget Committee set up on the Leigh-Pugh model would be capable of assisting the House in holding the Government to account for its spending plans, and in improving wider public understanding of those plans and the difficult trade-offs that underpin them. It has been argued that the establishment of a new committee, capable of undertaking expert scrutiny, would constitute a substantial improvement on current arrangements. We have identified a number of tenets which we believe should underpin the operation of any new committee.

66. Following the same principles as the Public Accounts Committee, a budget committee should not involve itself in policy examination. While the committee could in theory recommend increases to Government spending plans, the ability of the House to adopt such recommendations as amendments to Estimates resolutions is constrained by the operation of the rule on Crown financial initiative and by Standing Order No. 48.

67. We envisage that the remit of a budget committee should be to assess whether budget allocations are realistic, and whether Departments can justify proposed expenditure with fully thought through spending plans that stand up to forensic scrutiny.

68. Each Estimate presented to Parliament identifies the entity which is to account for it. The line of accountability to the House is through the accounting officer for the Estimate—in the context of Government departments this is typically the Permanent Secretary and not the Ministerial head of department. In line with the practice of the Public Accounts Committee, we envisage that a budget committee would, when examining Estimates, seek in the first instance to engage with the accounting officers responsible for the estimates, rather than with Ministers.

69. The materials provided as part of the Estimates process in Canada and New Zealand demonstrate how governments can, when so minded, provide clear and transparent data on the purposes and quantum of their expenditure. Any new committee with a remit to examine Government spending plans should continue to promote transparency in how Government presents financial information to the House and the public. It should be rigorous in its commitment to improve accessibility of Government financial information, and persistent in holding Government to account in its efforts to achieve this accessibility.

70. The experience of the Canadian and Scottish Parliaments demonstrates that it is possible for a committee with a technical, financial remit to engage effectively with the public and civil society to promote understanding of Government financial planning. Such committees are also able to represent the concerns of the public and civil society to the Government for a response. Any new budget committee should be committed to public engagement to help the House understand, and represent to Government, public concerns about budget priorities.

71. We have no doubt that a budget committee would attract sufficient interest among Members with the necessary skills for detailed scrutiny of this kind or the willingness and capacity to develop them. As with any select committee, membership of a budget committee would require a significant time commitment, which each committee Member would manage in the context of their other parliamentary commitments.

72. Nicky Morgan described how, even at the House's current size, "the workload of MPs does not seem to be getting any lighter".⁷² Kirsty Blackman agreed that a new committee "would be an incredible increase in workload".⁷³ In contrast, Charlie Elphicke suggested that a reduction in the size of departmental select committees commensurate to any reduction to the size of the House could free up Members to form a new budget committee.⁷⁴ The Chief Secretary to the Treasury was certain that in any event "there would be still be enough MPs to serve on all [...] committees".⁷⁵

73. *Should the House decide to establish a budget committee, we recommend that it should base the Committee's remit on the following principles:*

- a) ***Assessment of the extent to which the programmes proposed to be delivered by Departments are deliverable within the expenditure limits proposed in the Estimates;***
- b) ***Promotion of transparency and accessibility in the financial documentation presented to the House by Ministers; and***
- c) ***Commitment to engagement with the public in explaining the House's role in authorising Government proposals for expenditure.***

The Government's view of proposals for a budget committee

74. The Chief Secretary to the Treasury recognised "the crucial role that Parliament plays in financial scrutiny" through Chamber debate and Committee inquiries.⁷⁶ The Chief Secretary agreed that "more scrutiny of public spending would be a good thing". However, she was "not convinced that the advance review of Government spending plans and policies should be separated from the departmental committees that hold the expertise and detailed knowledge required for effective scrutiny".⁷⁷

72 Q212 (Rt Hon Nicky Morgan MP)

73 Q127 (Kirsty Blackman MP)

74 Q89 (Charlie Elphicke MP)

75 Q148 (Rt Hon Elizabeth Truss MP)

76 [CBC 16](#) (HM Treasury), para 1

77 Q144 (Rt Hon Elizabeth Truss MP); [CBC 16](#) (HM Treasury), para 2

75. The experience in Italy, Sweden and Germany indicates that establishing a new committee to lead on *ex ante* financial scrutiny does not disempower existing committees. It has instead provided an opportunity for departmental committees' work to be considered by the plenary.

76. The Chief Secretary suggested it was the role of the Treasury Committee to carry out detailed *ex ante* scrutiny and was "not convinced" of the case for a new Committee.⁷⁸ She was also concerned that *ex ante* scrutiny of spending would inevitably stray into policy decisions. She characterised the central question of *ex post* scrutiny as: "Has this money been spent well or badly on this particular priority?", in contrast with the inherent questioning of political prioritisation that came with *ex ante* scrutiny of allocations:

I do think one of the advantages of a budget committee is that they could analyse trade-offs between different areas of spending, but I think we could all acknowledge that trade-offs are fundamentally a political prioritisation issue. [...] If we spent an additional £1 on further education, would that do more to increase people's life chances and opportunities than an extra £1 spent on public health? Those are the types of consideration the Treasury makes, but there is an element of political prioritisation that does not exist in *ex post* analysis, which is what the PAC does."⁷⁹

77. We have already discussed why we do not believe the Treasury Committee is well placed to carry out systematic *ex ante* scrutiny of Government spending plans. We envisage that, in common with the normal practice of the Public Accounts Committee, a budget committee carrying out *ex ante* scrutiny of estimates should typically hold accounting officers responsible for the Government's spending plans. We favour a committee that would focus primarily on the appropriateness of sums to be allocated to departments, and on examining the basis for the proposals made by the Treasury and by individual departments.

78. For a budget committee to inquire into policy decisions taken by Ministers would not be appropriate and would risk overlap with the work of departmental select committees. Scrutiny of spending plans might nevertheless cause the Government to reflect on the substance of its policies and change or cancel them. Richard Bacon gave us the example of expenditure on NHS IT programmes:

An obvious [candidate for scrutiny] would be the NHS national programme for IT, which, when it was first announced, was slated to cost £2.3 billion, although the private pre-announcement number was £5.2 billion. The £2.3 billion soon went up to £6.4 billion. Before you knew it, it was about £11 billion and then £12.4 billion before it got cut back. It is certain that £2.7 billion of that, on the detailed care record, was almost entirely wasted [...] It produced no value at all. If there had been more public attention on that earlier it might have been prevented, or more of the spending might have been successfully ended.⁸⁰

78 Q136 (Rt Hon Elizabeth Truss MP)

79 Q140 (Rt Hon Elizabeth Truss MP)

80 Q165 (Mr Richard Bacon MP)

In the instance cited above, it was not necessary for a committee to examine the merits of the policy to reach a judgement on its value for money, and the Government's plans to fund it. Financial scrutiny of this kind might well lead the Government into a re-evaluation of the rationale for the policy.

79. Several witnesses suggested that a budget committee would be a natural ally of the Treasury in its mission to ensure that public money was well spent and accounted for. Lord Macpherson described an “indirect alliance”, saying:

So much pressure in society is to spend more and Government have a horrible tendency to want to spend more without ever quite explaining how they are going to pay for it. Anything that can improve the debate around spending, and also borrowing, can only be a good thing.⁸¹

Richard Bacon described a similar common interest between the Public Accounts Committee and the Treasury: both had an interest in ensuring that departments spent public money effectively.⁸²

Accountability of Treasury Ministers to departmental committees

80. The argument of the Chief Secretary to the Treasury that departmental select committees are adequately placed to carry out *ex ante* scrutiny of spending plans would have greater force if Treasury Ministers were prepared more regularly to be examined by, or to send officials to, such committees. The reluctance of Treasury Ministers to give evidence to departmental committees has been a source of continued frustration to present Committee Chairs.⁸³ The Chief Secretary told us that in her current role, she had only given evidence to our committee, the Treasury Committee and the House of Lords Economic Affairs Committee.⁸⁴ **If the Treasury would welcome expert scrutiny from departmental committees, it could assist them by responding positively to requests for Ministers and officials to give evidence alongside counterparts from the relevant department. Not to do so is only to exacerbate the potential problem of committees focusing on policy during spending-related inquiries.**

Potential tasks for a budget committee

Annual scrutiny of Estimates documents

81. A budget committee could report to the House every year on the Estimates presented to Parliament, highlighting particular matters of concern for the House to consider in debate before approving the Government's requests for supply. The committee could take evidence from Treasury witnesses, and from other departments as it saw fit. This would facilitate a robust examination of cross-departmental spending plans and the connections between different departmental remits: for example, how spending on social care is allocated between different departments and local government.⁸⁵

81 Q50 (Lord Macpherson of Earl's Court)

82 Q182 (Mr Richard Bacon MP)

83 [CBC 12](#) (Mr Clive Betts MP), para 5; Q193 (Mr Clive Betts MP), Q 207 (Rt Hon Nicky Morgan MP)

84 Qq145–6 (Rt Hon Elizabeth Truss MP)

85 *Adult Social Care Funding (England)*, Briefing Paper [CBP07903](#), House of Commons Library, 12 February 2019

82. In Chapter 2 of this Report we have described the evident constraints on this form of scrutiny. Any committee would be hard pressed to find time to take comprehensive evidence and produce a report on a single departmental estimate in the period between the laying and approval of the Main Estimates, let alone undertake systematic scrutiny across the whole package. The task would be impossible to achieve given current timetables for Supplementary Estimates. A committee with an obligation to engage the public and civil society in its consideration would struggle to discharge that duty properly in the time available. Effective annual scrutiny of this nature may ultimately depend on a much larger change to the Estimates timetable: as we have discussed above, the Government did not agree with our predecessor Committee's recommendation for wider change: instead it asserted that the period typically provided between the laying of Main Estimates and their approval was adequate for quality assurance and scrutiny.⁸⁶ The proposal to move Estimates approval to a date before the commencement of the relevant financial year was not supported.

83. A budget committee established by the House for the express purpose of undertaking prior scrutiny of Estimates is likely to demand substantial cooperation from the Treasury in ensuring that Estimates are presented to the House in good time for the committee to undertake the scrutiny the House expects. Given the relatively limited time likely to be available between the presentation of Main Estimates and Estimates days, the committee will have to prioritise its agenda so as to ensure that areas of concern in spending plans receive an appropriate level of scrutiny. This is doubly the case in view of the highly abbreviated period for formal scrutiny which the Government currently allows for Supplementary Estimates. We envisage that a budget committee will have a key role in discussing with the Government the annual schedule for presentation of Estimates and their subsequent approval by the House.

84. The matter of allocating the subjects to be debated on Estimates days was considered in detail by the Select Committee on Procedure (Supply), which first mooted the present system of Estimates days in a report issued in 1981.⁸⁷ That Committee recommended the creation of an Estimates Business Committee to make proposals for the Estimates to be debated on each Estimates day: the proposals would be presented to the House for approval at the start of each Estimates day.⁸⁸ The Government disagreed with the recommendation and proposed instead that the Liaison Committee should have responsibility for recommending Estimates to be debated.⁸⁹ The House agreed with the Government's proposal. The arrangements for determining the Estimates to be debated on Estimates days remained unchanged between 1982 and the implementation of the pilot for allocating Estimates day debates which this Committee recommended in January 2018.⁹⁰

86 Procedure Committee, Fifth Report of Session 2016–17, *Authorising Government expenditure: steps to more effective scrutiny* (HC 190), para 60; *Government Response to the Fifth Report of the Committee, Session 2016–17, Authorising Government expenditure: steps to more effective scrutiny (HC 190)*, p. 4

87 First Report from the Select Committee on Procedure (Supply), Session 1980–81, HC (1980–81) 118-I

88 *Ibid.*, paras 64–66

89 See the debates to take note of the report of the Select Committee on Procedure (Supply), *HC Deb, 15 February 1982, cols 67–105*, and the subsequent debate on the ensuing Standing Order changes, *HC Deb, 19 July 1982, cols 117–175*.

90 See paragraph 10 above.

85. Debates on departmental expenditure plans on Estimates days are a crucial to the fundamental constitutional role the House plays in authorising Government requests for expenditure. A committee of the House which has scrutiny of the Estimates as its primary purpose, and which will have accumulated expertise in such scrutiny as it develops its role, will be well-placed to advise the House on the Estimates to be selected for debate. The reports of a budget committee will be a valuable resource to Members preparing for Estimates day debates. **A budget committee is likely to have a significant role in determining the Estimates selected for debate on each Estimates day, and in drawing to the attention of the House significant issues with Estimates which merit further examination in debate.**

86. **While a budget committee will have a key role in the examination of Estimates before the House is asked to authorise expenditure, its work ought not to cease once the House has passed any Supply and Appropriation Bill founded on Estimates resolutions. We envisage that a budget committee will undertake quality assurance work on Estimates throughout the fiscal year: such work on a Main Estimate which is of concern might, for instance, lead to a Department presenting a revision to its spending plans as a Supplementary Estimate.**

Periodic scrutiny and pre-scrutiny of Spending Reviews

87. Professor David Heald argued that annual Estimates scrutiny on its own would not involve the House directly with a Spending Review process. As we discussed above, Spending Reviews are the events where key spending decisions are made.⁹¹ A Budget Committee could inquire into spending priorities and report its recommendations to the House in advance of the announcement of the Spending Review outcome by the Chancellor of the Exchequer. Although the Government could not be obliged to implement the Committee's recommendations, it would be required to respond to them, ideally at the same time as the Chancellor's announcement.

88. This report has already described how each departmental select committee examining a Spending Review is likely to focus on specific priorities within its own remit, and how a more systematic scrutiny approach would mitigate the risk of a relative lack of oversight of expenditure areas that span several different departmental remits. A budget committee could contribute to systematic scrutiny by asking broader questions about cross-cutting topics, which Dr Wehner explained were otherwise at risk of "falling through the cracks":

How is the economic classification split? These types of questions. How do different spending areas relate to one another? What are the trade-offs and tensions? If you squeeze here, something else might happen somewhere else—who thinks about that?⁹²

89. A budget committee could also report following the completion of a Spending Review, raising areas of concern that the House might wish to monitor during the subsequent Spending Review period.⁹³ In so doing, it could inform the general direction of any annual Estimates scrutiny it—or any other committee—would undertake during the period covered by the Spending Review, as described above.

91 Q12 (Professor David Heald)

92 Q6 (Dr Joachim Wehner)

93 Lord Macpherson of Earl's Court supports a Committee that examines spending reviews after the event, as detailed in [CBC 15](#) (Lord Macpherson of Earl's Court), p. 2

Relation of Annual Reports and Accounts to Estimates

90. A budget committee could use Annual Reports and Accounts to scrutinise whether Government expenditure plans are borne out in reality. This would allow the committee to examine the extent to which Government assurances about the accuracy of plans are reliable. Scrutiny of this sort would keep pressure on Government to ensure easy read-across between Estimates and Accounts. It would also enable the committee to follow through any concerns it had with any particular Department's Estimate for that financial year, and could inform the committee's consideration of which Departments' plans for the next financial year merited particular attention.

91. By using Annual Reports and Accounts to look particularly at the reliability of spending planning, the Committee would avoid scrutiny of reasons for particular overspend or poor performance in any specific project detailed in the Accounts. Such detailed work falls within the remit of the Public Accounts Committee.

Our view

92. **We are not persuaded by the arguments the Government has advanced against the establishment of a budget committee. Establishing a budget committee would be likely to encourage the fiscal discipline across Departments which we understand the Treasury is keen to promote. We consider that there is considerable merit in establishing a committee of the House to undertake systematic scrutiny of the Government's expenditure plans in multiannual Spending Reviews and annual Estimates.**

93. **Any new committee should enjoy the powers delegated by the House to existing departmental select committees, including the power to send for persons, papers, and records.**

94. **A new committee could be specifically required to undertake the following core tasks:**

- a) **Recommending specific Estimates for debate or further scrutiny;**
- b) **Reporting to the House in advance of Spending Reviews its opinion on what the aspects of the review House may find to be of most concern, and following Spending Reviews examine the reliability and deliverability of their commitments; and**
- c) **Conducting thorough scrutiny of Annual Reports and Accounts to ensure consistent quality across Departments.**

95. **A new committee should focus on the quality of expenditure plans, how particular proposed expenditure sums have been reached, and how the Government justifies any trade-offs resulting from particular plans. It should not seek directly to query policy or suggest virements between allocations to achieve policy aims which the committee may favour. Exposure of unrealistic spending plans as a result of Committee scrutiny may have the consequence of persuading Ministers to alter policy direction.**

5 Support for a new committee

96. This chapter examines existing options available to the House for provision of additional support to a new committee. It also examines the possibility of establishing a Parliamentary Budget Office, in line with the recommendations of the Leigh-Pugh report. We believe specialist support of this kind should not be restricted solely to serving a budget committee, but would be available to any Member requiring its services.

97. We presume that the House Service would ensure that any new committee was staffed in line with current provision for select committees: for comparison, when the European Statutory Instruments Committee was established, the then Clerk of the House estimated its total annual cost to be in the region of £410,000.⁹⁴

98. Members chosen by their parties and appointed by the House to sit on a budget committee would require a level of interest and expertise in financial scrutiny, and would ideally make a commitment to continuing development. Angela Eagle expressed concern that the level of financial literacy among Members with respect to Government financial documentation was relatively low:

I am not sure how many Members of Parliament would know what DELs and AME were, or what Total Managed Expenditure was. I think it would be helpful if a Budget Committee, if it existed, could begin to put good briefings out about those things.⁹⁵

99. The Austrian Parliamentary Budget Office observed that specialist support for members of a budget committee was desirable, owing to the increasingly intensive technical knowledge required.⁹⁶

Existing financial scrutiny bodies

Office for Budget Responsibility

100. We considered whether the Office for Budget Responsibility (OBR) would be able to provide support for a new committee. The Shadow Chief Secretary to the Treasury, Peter Dowd, thought that this was an option.⁹⁷ The OBR does not consider that its current work, which is mandated in statute, would be of specific use to a budget committee:

⁹⁴ [Memorandum by the Accounting Officer on financial consequences of the Government motion relating to the temporary standing order for a European Statutory Instruments Committee](#), 13 July 2018. The estimate was based on the assumption of core staff of a Clerk, a policy specialist, a legal specialist and two administrative support staff, entailing £360,000 pa in staff costs, together with expenditure of £50,000 pa, which is the typical average annual spend by committees on their activities. Outturn figures for expenditure on ESIC in the first year of its operation are not yet available.

⁹⁵ Q100 (Ms Angela Eagle MP). DEL stands for Delegated Expenditure Limit, and is the budget that is allocated to and spent by government departments. This amount, and how it is split between government departments, is set at Spending Reviews. AME stands for Annually Managed Expenditure, and is spent on programmes which are demand-led: for instance welfare, tax credits and public sector pensions. By its nature AME is less susceptible to management via spending reviews. Total Managed Expenditure covers all current and capital spending carried out by the public sector (i.e. not just by central Government departments). It comprises the sum of Departmental Expenditure Limits (DELs) and Annually Managed Expenditure (AME), less depreciation. See the glossary of financial terms published by the House of Commons Scrutiny Unit at <https://www.parliament.uk/mps-lords-and-offices/offices/commons/scrutinyunit/reports-and-publications/>

⁹⁶ [CBC 06](#) (Parliamentary Budget Office of the Austrian Parliament), p. 8

⁹⁷ Q130 (Peter Dowd MP)

In producing our forecasts, we do not look in a detailed bottom-up way at the components of spending covered by Resource and Capital Departmental Expenditure limits—spending on public services, administration, grants and investment. [...] we focus on how much is likely to be spent rather than on whether it is being spent in the right places or in a way that offers good value for money.⁹⁸

Martin Wheatley agreed that the OBR’s present remit would not appropriately support a new committee and reasoned that the OBR is “a Government office ... it is not a parliamentary office in the way that the National Audit Office is.”⁹⁹

101. The OBR was concerned that a requirement to support a committee would overstretch its limited resource:

Having an additional customer to satisfy would place even greater strain on the already stretched expert analysts with whom we work in HMRC and DWP. This would be even more the case if they were asked to help assess the cost of non-government proposals.¹⁰⁰

It argued that a better short-term approach would be to “expand and increase the resources of the House of Commons Scrutiny Unit”, which we discuss later in this chapter.¹⁰¹ **It is clear to us that the current statutory role of the Office for Budget Responsibility would not easily enable it to support a Budget Committee. It would not be appropriate for a body intrinsically linked to, albeit distinct from, Government to support a committee of the House.**

National Audit Office

102. The National Audit Office (NAO) supports the Public Accounts Committee’s *ex post* scrutiny of Government expenditure. It is also mandated to audit the accounts of Government Departments and arm’s-length bodies.

103. Witnesses to our inquiry praised the forensic work of the National Audit Office, and its willingness to support parliamentarians above and beyond its statutory duties to the House.¹⁰² Martin Wheatley suggested that detailed NAO publications could be used to inform subjects and priorities for *ex ante* scrutiny by a budget committee.¹⁰³

104. However, some witnesses argued that it would be inappropriate for the House to engage the NAO in *ex ante* scrutiny, with Professor David Heald advising that the NAO “cannot and should not engage in debating political choices about the size of the fiscal state”.¹⁰⁴ Dr Joachim Wehner warned:

98 [CBC 21](#) (Office for Budget Responsibility), para 7

99 Q67 (Martin Wheatley)

100 [CBC 21](#) (Office for Budget Responsibility), para 9

101 [CBC 21](#) (Office for Budget Responsibility), para 4

102 For example, Q200 (Meg Hillier MP). The National Audit Office’s statutory obligations and powers are set out mainly in the National Audit Act 1983 and the National Audit and Budget Responsibility Act 2011

103 Q73 (Martin Wheatley)

104 [CBC 07](#) (Professor David Heald), para 19

I would be very cautious in terms of bringing the NAO into an advisory role in relation to the expenditure committee. These are very different. They should focus on *ex ante* in the one case and *ex post* in the other, but the NAO should be kept away. There might be contacts at the margin, but it gets dangerous when the auditor also has a role in advising *ex ante*, because then people can turn around and say, “Well, you told us to do x, y and z. We did it, it went wrong and now you come back with your audits and you blame us.” So those are the kind of dangers.¹⁰⁵

Dr Wehner’s concern is compelling; for the NAO to be both forward and backward looking could easily lead to unwelcome complication. The specific skills required of auditors would not be appropriate for supporting a new *ex ante* scrutiny committee.

105. Nevertheless, a scrutiny body with equivalent skill and resource as the NAO was attractive. Supporting the proposition for a PBO—or, in his words, an “Office for Spending Responsibility”¹⁰⁶—Charlie Elphicke said:

If you have a detailed report, like the NAO-type report, before decisions are made, to challenge the Executive, and the civil service, and the officials, you can then start to ask the really detailed, nitty-gritty questions that can bring to the surface some of the deep underlying questions. “Are we doing this in the right way? Are we organising the right way? Are we getting the best bang for the taxpayer buck? Can we do better and can we be more efficient and effective?”¹⁰⁷

106. We agree with Dr Joachim Wehner and Professor David Heald that it would also be difficult for the NAO to assist a new budget committee. To do so could muddy its clear, independent role as a specialist audit body, whose work is extremely valuable to this House as it is.

The case for a Parliamentary Budget Office

107. Parliamentary Budget Offices (PBOs) support their legislature’s capacity to scrutinise Government financial information. PBOs are an increasingly common feature of legislatures across the OECD and vary by size depending on the functions they are mandated to perform. The Leigh-Pugh report recommended the establishment of a PBO in the UK “to advise the Budget Committee on which areas of Estimates and departmental spending plans to review and debate”. They also suggested that it recommend cross-cutting themes for closer scrutiny.¹⁰⁸

108. We give two examples of existing and established PBOs below.

105 Q10 (Dr Joachim Wehner)

106 [CBC 13](#) (Charlie Elphicke MP), p. 3

107 Q91 (Charlie Elphicke MP)

108 Sir Edward Leigh and Dr John Pugh, [Options to Improve Parliamentary Scrutiny of Government Expenditure](#) (2011), p. 20. The model suggested in the report is analogous to the National Audit Office: the PBO would be headed by an impartial Parliamentary Budget Officer, appointed for a limited term by the Queen on the recommendation of the Prime Minister.

The Canadian federal Parliamentary Budget Office

109. The Canadian PBO was originally part of the House of Commons Library before expanding to become a full office of the Canadian Parliament. Scherie Nicol argued that this “full independence enables it to function much more effectively in terms of being free from political influence in the information it provides to parliamentarians”.¹⁰⁹ The Canadian PBO also benefits from a legal right of access to executive documents, to an extent analogous to that enjoyed by the National Audit Office in the UK.¹¹⁰

110. In written evidence to us, the Canadian PBO described how Canadian House of Commons committees draw on proactive costing analyses published by the PBO. These analyses include summaries of the Government’s proposed appropriations and cost estimates for new Government initiatives.¹¹¹ Notably, the Canadian PBO reported that requests from Committees for support with consideration of Estimates were increasingly infrequent.¹¹² This may be because, as discussed above, the quality of Estimates data available to Canadian Parliamentarians is considerably higher than that initially available to Members of this House.

The Austrian Parliamentary Budget Office

111. The Austrian Parliament PBO’s core tasks include supporting the Budget Committee via written advice, and supporting other parliamentary committees in assessing the impact of new legislation.¹¹³

112. It notes that, as the focus of the Austrian Budget Committee has shifted toward “the general development of public finances and related strategic issues”, it is “an essential advantage that Parliament has a non-governmental expert at its disposal”.¹¹⁴

113. It observes that specialist PBO support is necessary owing to the technical nature of the scrutiny required of a Committee in examining financial documentation. There is particular need for new Members to receive expert support.

114. Dr Wehner suggested that a UK PBO “could support the Budget Committee by analysing executive expenditure plans, undertaking independent costings of policy initiatives and tracking the execution of approved spending”.¹¹⁵ The increase in resource required for those tasks is significant. Dr Wehner cited four PBOs with a policy costing function: Australia, Canada, South Korea and the USA. Their PBOs have 40, 27, 138 and 235 staff respectively.¹¹⁶

109 Q38 (Scherie Nicol)

110 Q38 (Scherie Nicol); Parliament of Canada Act 1985 (as amended in 2017), Section 71

111 [CBC 01](#) (Parliamentary Budget Office, Canada), p. 2

112 [CBC 01](#) (Parliamentary Budget Office, Canada), p. 2

113 A fuller list of how the Austrian PBO defines its tasks is at [CBC 06](#) (Parliamentary Budget Office of the Austrian Parliament), p. 4

114 [CBC 06](#) (Parliamentary Budget Office of the Austrian Parliament), p. 8. Of note is that the Austrian Parliamentary Budget Officer contributes to committee hearings and may ask questions, analogous to the role of the Comptroller and Auditor General in the UK, who is by convention a standing witness at the Public Accounts Committee (*Erskine May*, 25th Edition (London, 2019), para 38.65)

115 [CBC 08](#) (Dr Joachim Wehner), pp. 1–2

116 [CBC 05](#) (OECD), p. 11

Our proposed solution: enhancement to the House of Commons Scrutiny Unit

115. Evidence to our inquiry suggested that no existing statutory body is placed to support a new committee in carrying out *ex ante* scrutiny functions. The case for the establishment of a brand-new PBO is compelling but would be resource-intensive. We therefore consider that the House should look at the resource already available to it, and how that could be developed and adapted into a PBO without the need to start from scratch. We have therefore examined the support available from House's closest current analogue to a PBO: the Scrutiny Unit.

116. The fiscal division of the House of Commons Scrutiny Unit currently supports committees with their inquiries into financial matters. Drawing on memoranda provided by Government, the Unit provides briefing to each Committee on the content of their Estimate. It published data visualisations and briefings, drawing on information from the Estimates.¹¹⁷ Scrutiny Unit staff provide confidential and impartial briefings to committees as required, and have recently combined their efforts very successfully with staff of the Research and Information Team of the Commons Library to provide invaluable advance briefing for Members on the 2019–20 Main Estimates. The Unit is well placed to assist Members in developing the skills they would need to scrutinise Government financial information with confidence.

117. The appetite of Members for more financial scrutiny will affect the ability of the Scrutiny Unit, as currently resourced, to meet demand.¹¹⁸ The OECD told us that the Unit's current output could be better used:

The Scrutiny Unit already produces some very good material that could be very helpful for any Budget Committee that was set up. In the first regard, the question should almost be turned on its head. It is not, "How many staff are needed?", but, "How can we better use the existing material that the Scrutiny Unit is publishing at the moment?"¹¹⁹

118. A new committee could certainly make excellent use of existing Scrutiny Unit products, and work with the Unit to establish what support it would need. This again is an approach supported by the OECD:

It is dealing with the demand for the information and then, once you have created the demand and you have parliamentarians interested in the Budget oversight and interested in scrutiny, and effectively using the material that the Scrutiny Unit is currently producing—that would be the most important priority—you can think about how to strengthen the Scrutiny Unit.¹²⁰

117 Visualisations for each department's 2019–20 Main Estimate can be found at <https://www.parliament.uk/mps-lords-and-offices/offices/commons/scrutinyunit/reports-and-publications/main-estimates-2019-20/>

118 The Scrutiny Unit currently employs five financial scrutiny staff.

119 Q38 (Scherie Nicol)

120 Q38 (Scherie Nicol)

119. Once the appetite for further scrutiny had been proven, the case for resource to enable it would follow readily. Witnesses recognised the potential for the Scrutiny Unit to form the basis for a new PBO, drawing on examples in comparable jurisdictions. The OECD suggest that in the longer term, the Scrutiny Unit may need to develop into a PBO established by legislation, as per the Leigh-Pugh report's recommendation.¹²¹ The Canadian PBO agreed that augmenting the Scrutiny Unit "could be a credible first step" on the road to establishing a PBO.¹²² Dr Joachim Wehner praised the Unit's "valuable work" and also argued that it be scaled up to form the basis of a new PBO.

120. **We commend the Scrutiny Unit for the excellent work it carries out with limited resource. The service it provides to Committees of this House is invaluable. However, it should be of great concern to the House that its central committee financial scrutiny resource is so limited relative to other Parliaments. We recommend that the House of Commons Service review the financial scrutiny support available to Members and committees, with a view to increasing the capacity of this function in the Scrutiny Unit accordingly.**

121. **The case for a new parliamentary budget office is compelling and the House should seek to establish one. The PBO's functions could include:**

- a) **Providing the budget committee with expert, impartial analysis of Estimates documentation and Spending Review documentation to allow it to decide on its priorities for a work programme;**
- b) **Working with the Committee to prepare briefings for oral evidence, and to prepare its reports; and, like the existing Scrutiny Unit, providing similar support to departmental select committees as they require;**
- c) **Providing private briefings to Members as requested, including supporting successful applicants for leading Estimates Day debates;**
- d) **Taking an active role in supporting Members' development of financial scrutiny skills by identifying skills gaps and preparing resource and training to fill them.**

122. **We consider that the House of Commons Scrutiny Unit could, over time, develop into a PBO—the House of Commons Budget Office. It is an excellent foundation upon which to build, accustomed to supporting committees and sufficiently agile to respond swiftly to the requirements of Members.**

123. *Should the House decide to establish a budget committee, we recommend that the House of Commons Commission consider the overall support available for budgetary scrutiny in the context of the resources available to comparable committees in other OECD states. We commend to the Commission the case for the establishment of a Commons Budget Office.*

121 [CBC 05](#) (OECD), p. 11

122 [CBC 01](#) (Parliamentary Budget Office, Canada), p. 2

6 Conclusion

124. **The House lacks the means of conducting effective systematic *ex ante* financial scrutiny. We believe this deficiency could be remedied in part by the establishment of a new committee specialising in the consideration of the Government's spending plans. It is of course ultimately for the House to decide whether it would wish to establish a budget committee.**

125. **This report has sought to explore what functions such a committee might have, and what existing scrutiny gaps it should look to address. We recognise the considerable strengths of the current system of committee scrutiny including that provided by the Treasury Committee and Public Accounts Committee. We are adamant that a new committee should not and would not look to detract from those strengths but could instead provide supplementary specialist scrutiny which is beyond the capacity of the House's existing scrutiny function.**

126. **We consider that a budget committee should scrutinise the quality of and rationale for spending allocations. Like the Public Accounts Committee, it should operate a self-denying ordinance concerning policy scrutiny and should not suggest changes in allocations for the sake of meeting any policy concerns. We envisage a committee with a tight remit, able to draw from and contribute to the work of other committees, without encroaching on their remits.**

127. **To support a new specialist committee, substantially more resource would be required. The House ought to consider the case for developing specialist Scrutiny Unit support on the scale necessary for *ex ante* scrutiny of the type we envisage. This should be with a view to developing a Commons Budget Office.**

128. **We expect this report to catalyse discussion across the House about the adequacy of its current arrangements for *ex ante* scrutiny of Government spending. We offer one model to address the scrutiny deficit.**

129. ***We recommend that the House debate the deficiency in its existing scrutiny function as a matter of urgency, seeking the constructive engagement of the Treasury, the Liaison Committee and other select committees to address the deficit. Should the House resolve that the scrutiny deficit be remedied by a budget committee, we stand ready to advise on its establishment in due course.***

Conclusions and recommendations

Introduction

1. It is high time for the House to consider whether it is content with the present arrangements for scrutiny of Departmental spending proposals, or whether it wants change. We intend this report to challenge the status quo and to promote systemic change. (Paragraph 6)

Existing scrutiny in the House

2. For the Government to assert that it allows “significant time” for quality assurance and scrutiny of the Main Estimates is beside the point if the House has not put arrangements in place to ensure that these tasks are undertaken effectively. (Paragraph 15)
3. In many respects the House’s scrutiny of Estimates does not live up to expectations:
 - Formal scrutiny of annual Estimates is limited, and the resulting legislation passes both Houses almost by default.
 - The House has limited opportunities for proper examination of the sums the Government has asked it to appropriate.
 - The departmental select committee system does not provide the systematic quality assurance and scrutiny of Estimates which the Government claims is undertaken once its spending plans are presented to Parliament.

This disadvantages Members in their understanding of how public money is being used, and their capacity to make recommendations to Government about how it might be better spent. (Paragraph 18)

4. *We recommend that each committee undertaking scrutiny of the Government’s forthcoming Spending Review should, as part of their inquiry, examine the arrangements for parliamentary oversight of the Review. We recommend that they consider and report on any improvements in the Spending Review process which would facilitate the scrutiny of future Spending Reviews by select committees.* (Paragraph 24)
5. No committee presently provides detailed ex ante scrutiny of Government expenditure plans. Those committees with the most appropriate expertise discharge their own remits with diligence, but have not demonstrably interpreted those remits to include advance scrutiny of expenditure plans. We are not persuaded that the departmental select committee system has the capacity to undertake this large new task in a comprehensive and systematic fashion. (Paragraph 34)

6. The comparative lack of *ex ante* financial scrutiny disadvantages the House in its ability to hold Government to account, and lessens the obligation on Government to explain transparently how it decides and embarks upon expenditure. The lack of any structure for systematic quality assurance and scrutiny of Estimates means that in practice Departments are rarely required to justify in advance the requests they make for expenditure. (Paragraph 36)
7. The fortieth anniversary of the establishment of the departmental select committee system falls as we make this report to the House. It is time for the House to consider whether it is content with the priorities inherent in current arrangements for scrutiny of expenditure. *If these arrangements do not change substantially, we advise the House to adopt additional arrangements to provide the assurance which is so clearly required.* (Paragraph 37)

Provision of financial information for the purposes of scrutiny

8. Any committee of this House undertaking comprehensive scrutiny of any aspect of Government spending plans must be able to see clearly how money has been spent in a previous year, and compare it to plans for spending the money the following year. We consider this to be an eminently achievable requirement. (Paragraph 59)
9. If governments in systems based on the Westminster model are able so readily to publish abundant and usable expenditure information, and staff of the House, working with limited resources, are consistently and readily able to improve upon what is provided by Government, it is difficult to see why the Treasury persists in providing information on the Government's spending plans to Parliament in the current format. (Paragraph 60)
10. *We invite the Scrutiny Unit to update its comprehensive review of Estimates memoranda, undertaken in 2018, with a summary assessment of the extent to which the content and form of these memoranda has improved in line with the findings of that review.* (Paragraph 61)
11. Any committee of this House hoping to carry out meaningful scrutiny of Government expenditure can be forgiven for looking enviously at the information available to its peers in other jurisdictions. The Government has made some progress, such as the provision of expenditure data in spreadsheet format. Nevertheless, the Estimates documents remain in essence unfit for purpose, impenetrable to all except the most specialist reader. (Paragraph 62)
12. *We recommend that the Government urgently implements significant improvement to Estimates documents to make them easier to understand, clearer and more helpful to a non-specialist audience. We expect to see more granular data, better presented, published either within or alongside the 2020–21 Main Estimates. The Government should aspire to match the detail on expenditure plans available to Parliamentarians and the public in Canada and New Zealand.* (Paragraph 63)

What a House of Commons budget committee could do

13. *Should the House decide to establish a budget committee, we recommend that it should base the Committee's remit on the following principles:*
 - a) *Assessment of the extent to which the programmes proposed to be delivered by Departments are deliverable within the expenditure limits proposed in the Estimates;*
 - b) *Promotion of transparency and accessibility in the financial documentation presented to the House by Ministers; and*
 - c) *Commitment to engagement with the public in explaining the House's role in authorising Government proposals for expenditure. (Paragraph 73)*
14. If the Treasury would welcome expert scrutiny from departmental committees, it could assist them by responding positively to requests for Ministers and officials to give evidence alongside counterparts from the relevant department. Not to do so is only to exacerbate the potential problem of committees focusing on policy during spending-related inquiries. (Paragraph 80)
15. A budget committee established by the House for the express purpose of undertaking prior scrutiny of Estimates is likely to demand substantial cooperation from the Treasury in ensuring that Estimates are presented to the House in good time for the committee to undertake the scrutiny the House expects. Given the relatively limited time likely to be available between the presentation of Main Estimates and Estimates days, the committee will have to prioritise its agenda so as to ensure that areas of concern in spending plans receive an appropriate level of scrutiny. This is doubly the case in view of the highly abbreviated period for formal scrutiny which the Government currently allows for Supplementary Estimates. We envisage that a budget committee will have a key role in discussing with the Government the annual schedule for presentation of Estimates and their subsequent approval by the House. (Paragraph 83)
16. A budget committee is likely to have a significant role in determining the Estimates selected for debate on each Estimates day, and in drawing to the attention of the House significant issues with Estimates which merit further examination in debate. (Paragraph 85)
17. While a budget committee will have a key role in the examination of Estimates before the House is asked to authorise expenditure, its work ought not to cease once the House has passed any Supply and Appropriation Bill founded on Estimates resolutions. We envisage that a budget committee will undertake quality assurance work on Estimates throughout the fiscal year: such work on a Main Estimate which is of concern might, for instance, lead to a Department presenting a revision to its spending plans as a Supplementary Estimate. (Paragraph 86)

18. We are not persuaded by the arguments the Government has advanced against the establishment of a budget committee. Establishing a budget committee would be likely to encourage the fiscal discipline across Departments which we understand the Treasury is keen to promote. We consider that there is considerable merit in establishing a committee of the House to undertake systematic scrutiny of the Government's expenditure plans in multiannual Spending Reviews and annual Estimates. (Paragraph 92)
19. Any new committee should enjoy the powers delegated by the House to existing departmental select committees, including the power to send for persons, papers, and records. (Paragraph 93)
20. A new committee could be specifically required to undertake the following core tasks:
 - a) Recommending specific Estimates for debate or further scrutiny;
 - b) Reporting to the House in advance of Spending Reviews its opinion on what the aspects of the review House may find to be of most concern, and following Spending Reviews examine the reliability and deliverability of their commitments; and
 - c) Conducting thorough scrutiny of Annual Reports and Accounts to ensure consistent quality across Departments. (Paragraph 94)
21. A new committee should focus on the quality of expenditure plans, how particular proposed expenditure sums have been reached, and how the Government justifies any trade-offs resulting from particular plans. It should not seek directly to query policy or suggest virements between allocations to achieve policy aims which the committee may favour. Exposure of unrealistic spending plans as a result of Committee scrutiny may have the consequence of persuading Ministers to alter policy direction. (Paragraph 95)

Support for a new committee

22. It is clear to us that the current statutory role of the Office for Budget Responsibility would not easily enable it to support a Budget Committee. It would not be appropriate for a body intrinsically linked to, albeit distinct from, Government to support a committee of the House. (Paragraph 101)
23. We agree with Dr Joachim Wehner and Professor David Heald that it would also be difficult for the NAO to assist a new budget committee. To do so could muddy its clear, independent role as a specialist audit body, whose work is extremely valuable to this House as it is. (Paragraph 106)

24. We commend the Scrutiny Unit for the excellent work it carries out with limited resource. The service it provides to Committees of this House is invaluable. However, it should be of great concern to the House that its central committee financial scrutiny resource is so limited relative to other Parliaments. *We recommend that the House of Commons Service review the financial scrutiny support available to Members and committees, with a view to increasing the capacity of this function in the Scrutiny Unit accordingly.* (Paragraph 120)
25. The case for a new parliamentary budget office is compelling and the House should seek to establish one. The PBO's functions could include:
- a) Providing the budget committee with expert, impartial analysis of Estimates documentation and Spending Review documentation to allow it to decide on its priorities for a work programme;
 - b) Working with the Committee to prepare briefings for oral evidence, and to prepare its reports; and, like the existing Scrutiny Unit, providing similar support to departmental select committees as they require;
 - c) Providing private briefings to Members as requested, including supporting successful applicants for leading Estimates Day debates;
 - d) Taking an active role in supporting Members' development of financial scrutiny skills by identifying skills gaps and preparing resource and training to fill them. (Paragraph 121)
26. We consider that the House of Commons Scrutiny Unit could, over time, develop into a PBO—the House of Commons Budget Office. It is an excellent foundation upon which to build, accustomed to supporting committees and sufficiently agile to respond swiftly to the requirements of Members. (Paragraph 122)
27. *Should the House decide to establish a budget committee, we recommend that the House of Commons Commission consider the overall support available for budgetary scrutiny in the context of the resources available to comparable committees in other OECD states. We commend to the Commission the case for the establishment of a Commons Budget Office.* (Paragraph 123)

Conclusion

28. The House lacks the means of conducting effective systematic ex ante financial scrutiny. We believe this deficiency could be remedied in part by the establishment of a new committee specialising in the consideration of the Government's spending plans. It is of course ultimately for the House to decide whether it would wish to establish a budget committee. (Paragraph 124)

29. This report has sought to explore what functions such a committee might have, and what existing scrutiny gaps it should look to address. We recognise the considerable strengths of the current system of committee scrutiny including that provided by the Treasury Committee and Public Accounts Committee. We are adamant that a new committee should not and would not look to detract from those strengths but could instead provide supplementary specialist scrutiny which is beyond the capacity of the House's existing scrutiny function. (Paragraph 125)
30. We consider that a budget committee should scrutinise the quality of and rationale for spending allocations. Like the Public Accounts Committee, it should operate a self-denying ordinance concerning policy scrutiny and should not suggest changes in allocations for the sake of meeting any policy concerns. We envisage a committee with a tight remit, able to draw from and contribute to the work of other committees, without encroaching on their remits. (Paragraph 126)
31. To support a new specialist committee, substantially more resource would be required. The House ought to consider the case for developing specialist Scrutiny Unit support on the scale necessary for *ex ante* scrutiny of the type we envisage. This should be with a view to developing a Commons Budget Office. (Paragraph 127)
32. We expect this report to catalyse discussion across the House about the adequacy of its current arrangements for *ex ante* scrutiny of Government spending. We offer one model to address the scrutiny deficit. (Paragraph 128)
33. *We recommend that the House debate the deficiency in its existing scrutiny function as a matter of urgency, seeking the constructive engagement of the Treasury, the Liaison Committee and other select committees to address the deficit. Should the House resolve that the scrutiny deficit be remedied by a budget committee, we stand ready to advise on its establishment in due course.* (Paragraph 129)

Formal minutes

Wednesday 3 July 2019

Members present:

Mr Charles Walker, in the Chair

Bob Blackman	Sir David Evennett
Kirsty Blackman	Sir Edward Leigh
Bambos Charalambous	David Linden
Sir Christopher Chope	Melanie Onn
Nic Dakin	Gareth Snell
Chris Elmore	

The Committee deliberated.

Draft Report (*Should there be a Commons Budget Committee?*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 129 read and agreed to.

Summary agreed to.

Resolved, That the Report be the Tenth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Wednesday 10 July at 2.30 pm.]

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Wednesday 12 December 2018

Professor David Heald, Professor of Public Sector Accounting, Adam Smith Business School, University of Glasgow, and **Dr Joachim Wehner**, Associate Professor in Public Policy, London School of Economics and Political Science [Q1–14](#)

Wednesday 9 January 2019

Edwin Lau, Head of Division, Directorate for Public Governance, and **Scherie Nicol**, Policy Analyst, Directorate for Public Governance, Organisation for Economic Co-operation and Development [Q15–43](#)

Wednesday 6 March 2019

Lord Macpherson of Earl's Court and **Martin Wheatley**, Senior Fellow, Institute for Government [Q44–77](#)

Wednesday 20 March 2019

Charlie Elphicke MP and **Ms Angela Eagle MP** [Q78–118](#)

Wednesday 27 March 2019

Kirsty Blackman MP, Shadow SNP Spokesperson (Economy); **Peter Dowd MP**, Shadow Chief Secretary to the Treasury; **Rt Hon Elizabeth Truss MP**, Chief Secretary to the Treasury [Q119–161](#)

Wednesday 10 April 2019

Mr Richard Bacon MP, **Meg Hillier MP**, Chair, Public Accounts Committee, and **Mr Clive Betts MP**, Chair, Housing, Communities and Local Government Committee [Q162–201](#)

Wednesday 22 May 2019

Rt Hon Nicky Morgan MP, Chair, Treasury Committee [Q202–221](#)

Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

CBC numbers are generated by the evidence processing system and so may not be complete.

- 1 Angela Eagle MP ([CBC0020](#))
- 2 Charlie Elphicke MP ([CBC0013](#))
- 3 Professor David Heald ([CBC0007](#))
- 4 Professor David Heald (supplementary) ([CBC0019](#))
- 5 Meg Hillier MP ([CBC0010](#))
- 6 HM Treasury ([CBC0016](#))
- 7 House of Commons Liaison Committee ([CBC0014](#))
- 8 House of Representatives of the States-General of the Netherlands ([CBC0003](#))
- 9 Housing, Communities and Local Government Committee ([CBC0012](#))
- 10 Institute for Government ([CBC0004](#))
- 11 Institute for Government (supplementary) ([CBC0018](#))
- 12 Rt Hon Nicky Morgan MP ([CBC0011](#))
- 13 OECD ([CBC0005](#))
- 14 Lord Macpherson of Earl's Court ([CBC0015](#))
- 15 Office for Budget Responsibility ([CBC0021](#))
- 16 Parliamentary Budget Office of the Austrian Parliament ([CBC0006](#))
- 17 Parliamentary Budget Office, Canada ([CBC0001](#))
- 18 Research Service of the Swedish Parliament ([CBC0009](#))
- 19 Irish Parliament Select Committee on Budgetary Oversight ([CBC0017](#))
- 20 TaxPayers' Alliance ([CBC0002](#))
- 21 Dr Joachim Wehner ([CBC0008](#))

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee's website. The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2017–19

First Report	Scrutiny of delegated legislation under the European Union (Withdrawal) Bill: interim report	HC 386
Second Report	Written Parliamentary questions: progress report for Session 2016–17, monitoring in the 2017 Parliament, and electronic tabling	HC 661
Third Report	Debates on Estimates days: piloting new arrangements	HC 739
Fourth Report	Term limits for select committee chairs in the 2017 Parliament	HC 816
Fifth Report	Proxy voting and parental absence	HC 825
Sixth Report	Scrutiny of delegated legislation under the European Union (Withdrawal) Act 2018	HC 1395
Seventh Report	Time limits on speeches in the Chamber	HC 1157
Eighth Report	Motions under section 13(1) of the European Union (Withdrawal) Act 2018	HC 1664
Ninth Report	The House's power to call for papers: procedure and practice	HC 1904
First Special Report	Review of Estimates memoranda by the House of Commons Scrutiny Unit: response to the Committee's Fifth Report of Session 2016–17	HC 1156