



Treasury Committee

Oral evidence: The costing of pre-election policy proposals, HC 1151

Wednesday 12 March 2014

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Members present: Andrew Tyrie (Chair), Mark Garnier, Andrea Leadsom, Mr Andrew Love, Mr George Mudie, Brooks Newmark, Jesse Norman, Teresa Pearce, Mr David Ruffley, John Thurso

Questions 1-38

Witness: Robert Chote, Chairman of the Office for Budget Responsibility, gave evidence.

Q1 Chair: Welcome, Robert. I should point out that you are deep in work in preparation for the Budget and we are extremely grateful to you for agreeing to come to see us. I will restrict questions to the subject at hand, which is the OBR and the costing of party policies in the run-up to an election, and I hope colleagues will as well.

Can I begin by asking you, do you in principle support the OBR having a role in the costing of political parties' manifestos in the run-up to an election?

Robert Chote: Yes, I do. I think that if Parliament wishes us to go down this route then it does offer the prospect of improving the quality of policy development for individual parties and it potentially improves the quality of public debate in the run-up to an election period. The experience of the Dutch Fiscal Council is that in the event that you need to assemble coalitions after elections, having had a systematic process of evaluation of policy platforms prior to the election can make the process easier should the election result make that necessary.

Q2 Chair: As you know, Mr Chote, I have been very keen on this idea for 20 years, so I am very heartened to hear what you say. I am not saying this sarcastically, but that is somewhat more enthusiastic than your support for it was nearly four years ago when I first raised it as Chairman of the Committee. I have what you said in front of me now and you were more circumspect. Do you think that you could get this job done between now and the general election?

Robert Chote: It would be difficult but by no means impossible. The ability to do that is not entirely in our own hands. I think the key thing that you would need to do would be to ensure that by, say, the early summer you were in a position where even if you did not have the full legislative framework for this sort of thing in place, you would need to have, first, agreement in principle across the parties that it was a good idea to do it and, secondly, fairly detailed agreement on what you might think of as the rules of the game: which parties should be involved; what scope of policies should you look at; what is the timetable; what would be the involvement of civil servants, and so on. I think you would need to get that sort of thing in place in the early summer in order for us, for example, to be able to set out and recruit the necessary people over the course of the summer and have all that in place ready to be welcoming customers, so to speak, maybe after the party conferences in the autumn.

Given one's assessment of where people's opinions are on the desirability of this in principle at this stage, it seems to me quite a big ask to assume that you would be in that position with general agreement, not only on the principle but on the rules of the game, by that stage. Clearly if that agreement coalesced quicker than might currently seem to be likely, you could probably forge ahead on that basis. At the end of the day, if Parliament wants us to try this, we will do it to the best of our ability, given the resources and the time we have available to us to attempt it.

Q3 Chair: Have you already spoken to the Chancellor, Shadow Chancellor and I suppose it might be Danny—I don't know who you may have gone to for the Liberals—to discuss this?

Robert Chote: Yes. I have spoken to people across the political spectrum about the details of this, basically running through much of the material that I have sent you in the letter. As you will appreciate, those conversations have to be confidential. I saw the Chancellor as part of our normal pre-Budget engagement earlier this week and, conscious that I was coming before you today, I did ask him to confirm with me what his current position was and asked if he was happy for me to report that. He said that he was and that it remains his position that it is probably not a desirable thing to do it for this election, partly because of the concern about putting the OBR in highly politically contested territory at the first general election since we have been created and also because of concerns and questions over resources and the role of the civil service. That is my understanding of the Chancellor's current position.

Q4 Chair: Given my enthusiasm for this idea, George's position has been consistent but always unsupportive. The Opposition were unsupportive and are now supportive. That change took place last September, October. You came out with phrases like "a big ask" and that this would be difficult and we would need to see a consensus coalesce, I think was the word you used a moment ago. Do you think that on the basis of those discussions, without disclosing any more than you are permitted to do, that is likely?

Robert Chote: Not at the moment, no.

Q5 Chair: Given what you know about this, both at the technical level in order to do a really high quality job and given the risk that if this thing went off at half cock it could kill

off enthusiasm for the idea altogether or do it serious damage for a long time, are you confident that you would be able to do as good a job if you get the go ahead this summer, between then and the general election, as you would if you were able to think about this and work on it after the election for the subsequent election?

Robert Chote: I think almost by definition the longer you have to prepare for this sort of thing and to discuss all the potential things that could happen, the more likely it is to be a success. In that sense, it would be riskier to do it in the short term. That does not necessarily mean that the potential rewards would not outweigh the risks but certainly you would expect that a longer period of consultation would likely make it easier to do. That said, I think you have to recognise that these sorts of exercises—and I am thinking back to having done something similar at the IFS ahead of the last two elections—are always bumpy roads. This is a time where people in the political world are occasionally quite highly strung in the midst of this sort of thing and you can never expect these things to go entirely smoothly whenever you do them. Clearly the longer you have to prepare, the longer you have to establish the relationships, the better that is, but that is not to say that it could not be done on a short timetable. As I say, if Parliament wanted us to do it, we would do it to the best of our ability.

Q6 Chair: The key issue is establishing the ground rules in memorandums of understanding or whatever, isn't it? Getting legislative approval is an easy job. It is getting those MOUs lined up and agreed so the terms of engagement are sorted out. Let me be more precise about the question. Is that going to be straightforward to do in the run-up to an election or do you think that could be better done to a higher quality after the election?

Robert Chote: As I say, the longer you have to do it the more likely it is that you are going to get something that you are happy with. That said, there is the argument that says if you try to focus people and concentrate people's minds that can generate a better result earlier than having something strung out with them in indefinite deadlines, so I would not rule that out. A lot of this is essentially out of our hands. It has to be a set of rules of the game with which the individual parties who wish to participate are happy. It is not for us to dictate the rules of the game and say, "Do you want to sign up to this or not?" I think the question is whether there would be the political will for everybody to make the compromises that are necessary to come together and agree on a framework that everybody is happy with, even if they are not happy with everything 100%.

Q7 Chair: If we go back to your letter of 15 January, a key operative sentence is, "Putting it bluntly, if Parliament wished us to play this role in the 2015 election, we would need a clear steer in the very near future to have any hope of putting the necessary practical arrangements in place in time to deliver a smooth process". "Any hope" is a pretty negative phrase to put in there, so you have some hope that you could do it but not great hope. Am I interpreting that correctly?

Robert Chote: Yes. I think that sentence is intended to focus the minds that if you want us to do this, the key point would be by the early summer we need to know the task that we have been given, be in a position to get the resources together, get the agreement among the parties of how we wish to proceed, and get the timetable and so on together.

Q8 Chair: That is the “clear steer in the very near future” that is referred to in this sentence.

Robert Chote: Yes. There is a related question of what legislation you need to have in place to do this. We understand that this needs primary legislation. It is not clear to me how much of the detail of process you need to include in that or whether simply, in the legislation, you need to strike out the bit that says we can’t do this at the moment and the rest of it is all about negotiating the MOUs. Partly, the length of time you need to get to where you want to be depends on those sorts of issues. I recall the legislative debate over our current Bill that took quite some time. I don’t know how much of that would be needed at the legislative level rather than at a getting around a table and agreeing some rules level.

Q9 Chair: The clear steer in the very near future is the willingness of all the parties to get on with this. All right. Do you mean by “to have any hope of putting the necessary practical arrangements in place” that even if you have that you can’t be confident that you can do it?

Robert Chote: No, we would need, as I say, probably over the summer to be putting in place the additional staff to do this. Getting good quality people for a relatively short-term secondment, as I suspect it would be, over that timetable is not straightforward and you would not want to wrap that up in a matter of a few weeks.

Q10 Chair: You do not want to wrap it up in a matter of a few weeks if you can avoid it. Is that what you are telling us?

Robert Chote: No, indeed. I think one of the big challenges of this would be getting the right people in the right numbers for the right time period to cover what we need to be doing.

Q11 Chair: I have interpreted correctly that sentence in my response to you?

Robert Chote: Yes.

Q12 Chair: Now let’s alter this sentence a fraction. If Parliament wished you to play a role for the subsequent election, given that I am not quite reading from the letter now, you would then be confident that you could put the necessary arrangements in place to deliver a high quality product. Is that correct?

Robert Chote: Yes. There will be always be a challenge for any model that requires the OBR to expand considerably in size for a relatively short period and then shrink back again. Whenever that moment came, you would have to find those people and put that in place. It would be a challenge even if you knew four years ahead that you were going to have to do it because you can’t identify those people four years beforehand. But certainly you would have more time to go over what it was you needed. You would have more chance to discuss with the parties what sort of levels of support were required.

The other thing that I think would be very important is that in terms of resources and preparation it is not just the OBR that you have to worry about. It is the analytical bits, the

KAI in HMRC, the forecasting division in DWP. Depending on the scope of whether you wanted us to look at departmental expenditure proposals from parties, when we go to the departments concerned and say, “Can we now start to scrutinise this?” the departments have to have the resources in place to be able to come up with the analysis that we can then look at and challenge and iterate with them. It is not simply a question of giving us what we need; it is giving the civil service what they need, both in terms of people and the ability to interact in a way they currently don’t do with us and with the opposition. All that would have to be in place as well. We are not like the Dutch office who have 150 people or the Congressional Budget Office who have 250 people where you could do all of that in-house. Very sensibly, I think, for the UK we have a model that is a small fiscal council but with the right of access to the analytical resources of Government Departments as we need it.

Q13 Chair: The point that you are making is that having access to them—and we have seen some party politics on this subject already—at a politically charged time needs to have very clear ground rules for the purposes of doing this work, on which everyone is agreed before you start. That is point one. I think this is what you have just said. Point two, which I think you have also just said but correct me if I am getting this in any way wrong, is that you are saying you need the expertise, particularly to do DEL costings. Basically what we are talking about is a disaggregation of DEL, department by department. Rather than auditing, we are talking about digging deep into the departmental budget areas in order to work out what those numbers really mean. You need both those things fully sorted out before you can do this job. Is that correct?

Robert Chote: Exactly. Taking the first point of those two, the principle of the way in which the civil service interacts with opposition parties is something for which you have the Douglas-Home rules, which have been around since 1964. Those have evolved over time. If you look at the Cabinet Manual and what that says about the nature of the interactions between the civil service and opposition parties of the moment, this clearly falls outside any sensible interpretation of that scope. That is not to say you could not change those rules, change what is in the Cabinet Manual and make it more explicit about that. It tends to be implemented in different ways in different departments over time anyway, but you would need to get that principle sorted out. Then, as you say, making sure that you have the resources that you are able to call on is the second issue.

You mentioned DELs. That is a particular challenge because it is an area of scrutiny that we do not look at in our ordinary line of business at the moment. Scrutinising manifesto or party proposals for individual tax or welfare measures is simply replicating the process that we go through when we come and talk to you after each budget and autumn statement. What we do not do at the moment is look at individual DEL policies of the sort, “Why don’t we cancel HS2 and spend all the money on nurses? How much do you save from HS2? How many nurses do you get?” If the Government announced that as a policy it is not something that would come under our scope. We would simply say—

Chair: Some might say it is quite a good policy, you know, Robert. Do you have any others up your sleeve?

Robert Chote: I have a long list of exciting possibilities. As I say, we would not touch that sort of policy at the moment. We simply make the judgments we normally do about

whether the aggregate departmental expenditure limits are going to be adhered to. There would then be a question of we would have to have a new set of interactions with the Treasury spending teams in those sorts of areas that at the moment we do not at all.

Q14 Andrea Leadsom: Good afternoon. I have a couple of questions. First of all, I think George Osborne is exactly right that now is not the moment to be doing this. If we were to enact primary legislation now it would be, chances are, the autumn before you actually got into work, by which time a general election is very clearly underway, with all of the fluff and so on that that entails. Is this a sensible idea, in your personal opinion?

Robert Chote: In terms of the legislation, what you could not do is wait until the autumn to know what we were supposed to be doing and at that stage put in place the resources, people and processes to do that. If you had a good idea of what the legislation was going to say and an informal but fairly public understanding that everybody was agreed on what those rules of the game were going to be and, for example, the Treasury was willing to allow us to go out and start to recruit people in readiness for that, then obviously you could make that a parallel process, cutting some of the necessary time, rather than one in which you have a long debate over the legislation, do that and then you start.

Q15 Andrea Leadsom: I am asking you for your personal opinion, bearing in mind how the pressure mounts in the run-up to a general election. Is it a good time to be doing it when there is so much pressure and so many hot-headed people running around right now or would it be better to think about it again after the next general election? Your personal opinion; not the doability but how sensible it would be to be doing this for the first time when we are already into general election mode.

Robert Chote: I think the point is that whenever you do it in an election period people are always going to be anxious. Having gone through this at the IFS for the last two, you always prepare and you know the difficulties that are coming up. Whenever you did it for the first time it would be difficult and challenging and in that sense I don't think people necessarily are going to be more anxious and jumpy about this election than they would be the next one. Who knows? There is a slightly different question on has the OBR established its credibility enough with the tasks it has been given at the moment for people to be confident that if you put us into that sort of environment and the political waters were choppy, would that undermine the credibility of a relatively young and relatively untested organisation? That has to be for the eye of the beholder and not for me to say whether we are ready to fulfil that task or not. That is for you.

Q16 Andrea Leadsom: No, but is it a concern of yours? In terms of one to 10, is it a high 10 concern of yours or a one, you are not really bothered?

Robert Chote: As I say, my main concern is whether there could be sufficient agreement on the rules of the game and the nature of the job in time for us still to be able to put the resources in place to do this properly. Whenever you do it, it is going to be difficult, it is going to be challenging. It is always challenging over these sorts of election periods in these sorts of roles and it will be whenever we do that for the first time, so I don't shy away from that if Parliament wants us to do that. My greater concern is, can you get everybody to agree on what it is you want us to do, and equally importantly on what you don't want us to do, in time to get the mechanics in place?

Q17 Andrea Leadsom: You are more than likely to have only a year at most if you do get the go ahead. Would you be concerned that you might be treated in some way as a kind of consultant to political parties; “If that doesn’t look attractive, how could we do it so that it did look attractive?” Would you be worried about falling into that trap, bearing in mind the time pressure you would be under? Do you have a personal concern about that?

Robert Chote: I think that is a potential issue. In order to be even-handed between the way in which we deal with Government policies that come towards us and we would deal with policies of individual parties, I think you do need to have some capacity in the process for a bit of to-ing and fro-ing. They come to you with a policy. You say, “We have looked at this, we have looked at the analysis. We think these are the following effects”. The party looks at it and says, “Crikey, that is not at all what we were expecting. I think we need to rethink this”. That happened time after time at the IFS when we were dealing with opposition parties doing that.

There has to be some sort of limit as to how much to-ing and fro-ing you are willing to do and that would make it very important to set out deadlines and to manage the process quite well to ensure you didn’t get into too much difficulty there. I think it would be quite hard to write down hard and fast rules saying, “We can have three to-ing and fro-ing things and then three strikes you are out” or something like that. You could imagine those sorts of rules but they might be quite hard to apply.

Q18 Andrea Leadsom: Without that you run the risk of being seen as politically biased, don’t you, being accused of being politically biased? If you are seen to be working with one party on their tax policy and not another, then you do run that risk, which must be a concern.

Robert Chote: You would run that risk but I guess no more than as we look at the current Government policies. If the Government decides not to do something partly because of what we say about the consequence of it, does that make us politically biased or is that part of the process that we are there to do? At the end of the day, it is for the politicians generally—the Minister in this case—to decide, after we have said what we think the costing of a particular policy is, whether they want to proceed with it or not. As with the current process, the key point is that I am not envisaging that this would operate in such a way as a party comes to us with a set of publicly announced policy positions on which we then make a public pronouncement that is potentially surprising to them and says that this is going to raise a third of what they think or cost twice as much. We will be having a confidential discussion, as we do with Ministers now. At the end of the day, the party in this case will know what we would say if they went ahead with this and it is ultimately for them to decide whether to go ahead with it or not.

Q19 Teresa Pearce: In response to what you have just said to Andrea, it seems to me that, when asked could you do this, you are saying the OBR could do it. It is whether or not the politicians and the legislature could do it. Is that what you are saying? The OBR could do it but the problem may be everybody else getting their ducks in a row.

Robert Chote: I think that is a reasonable interpretation. There are issues for us as well, but I think that is right.

Q20 Teresa Pearce: Whether you do it now or whether you do it after the next election, I don't understand, if you were to do it after the next election, how you could recruit people for something you are going to do four years along the line. That would not be possible, would it?

Robert Chote: No, you couldn't, which is why that set of challenges would arise whenever you did this.

Q21 Teresa Pearce: You would either do it before this election or before the next election.

Robert Chote: Exactly. What you would have more time to do obviously if you did it before the subsequent election is to have a shared view on what the appropriate role of the civil service is, what sort of resources you might need and so on. But the practical difficulty of when the moment comes getting the right people in place in the right numbers will be there whenever you do it.

Q22 Teresa Pearce: Say you did do it, what sort of timetable would you need? If it is a May election, you would think that people would be giving you these ideas and policies earlier in the year, maybe March, April, which would be about your busiest time of year. Would you have to have a whole new setup of people or would you have enough flex in your time to be able to do this as well?

Robert Chote: No, you would need more people and I think you would also need considerably more time than that.

Q23 Teresa Pearce: So there would have to be quite a lead-in. Waiting until the election clearly is too short, but even April or March would not a long enough lead-in. Is that what you are saying?

Robert Chote: Absolutely. If you assume that you dissolve Parliament at the end of March prior to a May election, I think you would want to have all the costings that you had prepared basically finalised in draft form prior to the budget so that you could then refresh them on the basis of the final pre-election baseline and then be in a position for us or the parties—

Q24 Teresa Pearce: For a May election, when would you expect submissions to be made to you to make it workable?

Robert Chote: I think you would want to sit down for a preliminary discussion with the parties about what sort of things they were likely to want to cover—so not an exhaustive list of exactly what policies—in the relatively brief gap between party conference and us beginning the autumn statement forecast. You would then be wanting to use the period of the autumn statement in the early part of the year to be going through firming those up, having the initial discussions, so that you were in a position to finalise what the parties wanted costing some way before the last and busiest bit of the pre-budget process. You could then have those things sitting on the shelf and finish the budget forecast. You would then refresh those costings on the basis of the new budget baseline and any policy

measures announced in the budget that affect the things that the parties have been talking about for the previous six months, and then you would be ready to go.

The lesson of the Dutch process is that it does require political parties to be thinking about the content of their manifestos a lot further in advance of the election than is normally the case. It is not for me—well above my pay grade—to say whether that is a desirable thing or not.

Q25 Mark Garnier: Listening to you talking about the process of going through this, there seem to be an enormous number of variables. Let's take a number of them. First, which political parties are going to be involved in this? Do you envisage it being limited to the current Westminster parties? Those Westminster parties include the Ulster Unionists, the Scottish Nationalists. Do you envisage it taking into account people who are perceived in the opinion polls to be serious challengers, such as UKIP, although not everybody would agree they are a serious challenger but you know what I mean? What about the other parties that are going to be standing in the general election, for example the National Health Action Party that has a very clear policy, which is to wind back the Health Act of 2010 or 2011? Would you be envisaging taking into account all of that? I suspect your answer is going to be “whatever the politicians say”.

Robert Chote: Exactly. I think that has to be something for Parliament. It would be entirely inappropriate for us to say who we were willing to allow into this process and who we were not willing to allow. I suspect that would be one of the issues that might take quite some time to bottom out before you knew where the rules of the game were.

Q26 Mark Garnier: Absolutely. On that single point alone, it would potentially take a huge amount of time to bottom that one out. The next one that I am slightly worried about is where you talk about the way the process goes through. You discussed a dialogue between the political parties and your guys in trying to work out exactly whether this is what they expected. That means that you could end up with an infinite amount of work to do in having that sort of dialogue. In a practical sense, would it not make a lot more sense to have a hard cut-off so that these firm policies are put forward and then you go away and work them out and publish the outcome?

Robert Chote: Yes. I think what you want to do is to have what in effect we have in the process for Government at the moment, which is a set of deadlines of, “We will have some initial discussions here but we can't guarantee to sign off any completely new policy that is notified to us after date X or any modest adjustment to a policy that we have previously looked at by date Y”. That would be one of the things that you would want to be discussing and sorting out with the parties when you met them right at the beginning of this process. You would have to have that level there. The other thing is obviously it would depend on how many resources we were given to do the job. That would then allow us to be able to say to the parties, “How much realistic interaction can we do with this?” and similarly how much scope DWP or HMRC, if they were welfare or tax measures, have to iterate this stuff as well.

I think to be even-handed you have to allow some iteration, particularly because an opposition party that does not have the resources of the civil service is inevitably going to come to you with a policy proposal that is rougher around the edges than one that the

Treasury may have been discussing with HMRC for three months before they even come to us with a policy paper. One of the reasons for coming back to this much longer process that Ms Pearce was talking about is to take account of the fact that you would need to have that scope for iteration.

Q27 Mark Garnier: What about in the event of a non-mainstream Westminster political party going off and getting a think-tank to do the costings, or someone like KPMG or whoever going through that for them, and then there being a big difference between the outcomes? You could find yourselves, as the OBR, arguing against another organisation. That potentially could cause credibility problems for you guys, depending on who believes what.

Robert Chote: It could do, but it could be true of KPMG take a different view of the costing we have given of a policy that is in the Budget.

Mark Garnier: Yes, but you have only one problem there, which is the Government. Now you are talking about an awful lot of people.

Robert Chote: That is true. One important thing that you highlight with that question is that you would not want to be in a situation where we basically got some reports that have been commissioned from KPMG, we looked over them and said, “Yes, that looks fair enough. We will sign that one off”. They might come with that policy idea and hear KPMG’s thoughts about it but you would want it costed with the same rigour and by the same people who are ultimately going to do it if the party is elected. The last thing I would want to do is to have a Shadow Chancellor or an opposition Treasury spokesman come to me with something and I say, “Back of envelope, that will be £300 million tops”. They win the election and we then get it done properly and it turns out to be £1.5 billion. There is always enormous uncertainty about all of these costings anyway but what the party should at least be certain of is that it is our best guess about what we would say about it if they were then elected. You wouldn’t want to come up and give a completely false steer that would be very difficult for them and very embarrassing for us.

Q28 Mark Garnier: Given the huge number of variables, do you genuinely think there is any practical way that you could have a credible solution before the next general election?

Robert Chote: As I say, I think it depends on how quickly there could be agreement on getting the rules in place. If we are asked to do it, we will do the best job we can. It is risky but so are lots of worthwhile things in life.

Q29 Mr Newmark: Do you think that the governing party would have an inbuilt advantage over opposition parties in formulating a credible budget, before we get into the timing issue?

Robert Chote: Obviously the incumbent Government, particularly if it is a single-party Government, has the resources of the civil service available to it. If you go back to the last election when I was looking at this for the IFS, there was nothing in the Labour manifesto that was not already in the pre-election budget that needed to be costed. Of course, slightly differently now we have two parties in coalition, both of whom may have manifestos that

are distinct from what is Government policy. You have had that sort of discussion over where public spending is going in the long term. The Chancellor has come to you and said, “If I had my way, there will be changes in welfare that would offset some of this”. At the moment, we have to look at that policy. One slight difference here is that in the last election, at the IFS we only had to look at the two opposition parties because Labour was the Government party and it was all the numbers already. Now we would have to look at three because the Conservatives and the Liberal Democrats would have policies distinct from the shared Government platform that was implied by the budget forecast.

Q30 Mr Newmark: Again, not to flog a dead horse here but I am getting a message, just listening to what you have said to other people, that between now and the next election—you have used phrases like, “It is a big ask”, “we need the right people, the right numbers and the right time period”. You said you would do it to the best of your ability given the timeframe, which brings on the issue of your own credibility, which I am sure you are concerned with. There is the issue of mission creep, which you have slightly touched on, that over time there is mission creep. I am really going to push you hard on this. We are where we are today. It is March and, given the practicalities of delivering—I know you say you could do it—if you had a choice, putting a pistol to your head, would you be in a much better position post-election or today to deliver what is being asked of you or? What is your answer?

Robert Chote: You are always going to be in a better position if you leave it until after the forthcoming election because there is more time to—

Q31 Mr Newmark: All the variables and concerns that you have said here to this Committee are a lot of issues, questions and concerns, so I am trying to be practical here. Is it really practical to deliver—and you have your credibility on the line here—what is being asked of you between now and May, given what you know of the behaviour of political parties anyway in actually getting to yes?

Robert Chote: As I say, the question is can you get agreement among the parties as to what you want us to do, basically by early summer. At the moment, given the fact that there is not agreement in principle, it seems hard for me to see—

Mr Newmark: That is a long-winded way of saying no. Okay, thank you.

Q32 Mr Ruffley: Mr Chote, I am pretty open-minded about this. The proposal you seem to be working on is that there would be some confidential to-ing and fro-ing. Political party X would say, “We want to do this. We think it is £0.5 billion” and you do the numbers and say, “Actually, you have missed this, this and this. It is going to be £1.5 billion” and they say, “You know what, we think you are right” and they drop the proposal. In a scenario like that, it seems to me that you are potentially, as an organisation, getting into help for political parties because you might save them from making a massive, catastrophic error in announcing a policy that is ruinous financially. That could apply to any of the parties.

Why wouldn’t you want to go for a model that said that all the parties publish their proposals? We all know what their plans are. You do not screen them or comment on them at all. When it is all out in the public domain, you then take what the public has been given, the exact words used in those commitments, and then you do a straightforward

costing on that basis with no to-ing and fro-ing. Why are you working on the basis that you think it is the first model rather than the second model?

Robert Chote: Again, this has come up when we have been doing it at the IFS level. It is unrealistic to expect parties, with the resources that they have available to them, to be able to come up with numbers. There are some areas of policy where you could do the work outside or you could get the IFS to do it and you would have a reasonably confident expectation of being quite close to what HMRC, for example, will tell you that the same costing is. For example, if you are going to change the basic rate of income tax, the IFS will give you an answer that I would suspect will be very close to the sort of answer that you would get from HMRC if you were to ask them as well. If you were to have a policy like a mansion tax or a land value tax or a pension reform or something like that where the setup is much more complicated, the interactions are going to be much more uncertain, then the ability of somebody outside with just the information that is available in the public domain to get the dart pretty close to the bull's-eye is much less than in those simpler sorts of measures. If you look at the content of past manifestos, there tends to be a spread of both those sorts of policies.

The last thing I would want is to be in a position of looking at something that KPMG had produced for a party, to look at the internal logic of that in isolation and not to confront it with all the information that we would have available to us if we were costing it in a budget, and give somebody an answer that we subsequently had to change if they were elected.

Q33 Mr Love: If I can characterise what you have said to us this afternoon, would it be correct to say that, assuming we can overcome the caveats you have mentioned about cross-party support and getting the arrangements and the funding in place, you are happy to put the credibility of your organisation to the test in achieving this for the next general election?

Robert Chote: Yes. If you want us to do that, we would do that to the best of our ability.

Q34 Mr Love: In a response earlier on you mentioned that you had had a conversation with the Chancellor and that his major concern was—and one could understand this since the OBR is very much his baby—that the credibility of the organisation may be affected. Were you in a position to reassure him that in your view, in the OBR's view, they would be able to stand the test of credibility, given the caveats that you have mentioned?

Robert Chote: We didn't have that discussion. This was a meeting primarily to do with the budget and I just said that as I was appearing here it would be helpful if I could have a clear idea of what his current position was. We didn't debate the merits of that position. As I say, I think in terms of the credibility, it is in the eye of the beholders whether you think that what we have done so far has satisfied you that you want us to fulfil this role rather than for us to mark our own exam paper.

Q35 Chair: I have one last question. One of the crucial things that you will need to do in this process is identify what constitutes a pledge. In your letter you mark out two

different approaches. Could you say a word about those two approaches? I only say that so that I am clear in my own mind that one of them is better than the other.

Robert Chote: There is one model that is basically the model that applies in the Netherlands where all you basically do is give the parties an opportunity to submit policy proposals to you if they wish and for you to raise a view on them and then publish those. Then if there is any policy statement or commitment that the party makes that has not gone through that process it is for the electorate, the media and everybody else to draw their own conclusions about what weight they want to put on what the parties say about that if it has not been thorough that kite-marking process. That is the cleanest, simplest approach.

Then you can go further along the line of saying if you want this process to be really valuable then parties make other sorts of commitments. Should the OBR look at those as well and say, “This has not been brought to us. If it had have been, we might have said this about it or the reason, if it had have been brought to us, we wouldn’t have said anything about it is because the following details aren’t clear”? There is a whole variety of models around. I think one of the challenges with the latter approach is working out what constitutes a substantive policy statement versus what Kenneth Clarke once famously described as a stray comment made during the course of the campaign on a wet Wednesday night in Dudley.

Chair: He was adept at that, wasn’t he?

Robert Chote: He was adept at that. Clearly what you would not want to do is to be in a position of being bombarded with letters through the election campaign saying, “Somebody said this at my local hustings. Surely this is a grotesque, unfunded spending commitment. Could you please clobber the respective party around the head with it?” If you don’t go down the “we look at whatever is submitted to us”, you have to have some sort of agreed dividing line between what is a firm policy commitment and some poetry or prose put up on the hustings.

Chair: Thank you very much for coming to give evidence this afternoon. It has been extremely interesting. I don’t think much more interesting than your letter. We got a tiny bit more, but then I was not convinced that we would get much more. In any case, we have had plenty of clarification this afternoon. Jesse, do you have another question?

Q36 Jesse Norman: I am very grateful to you for coming in. Very quickly, I wanted to ask two linked questions. One is how much micro-economic policy expertise do you have, not you personally but your team?

Robert Chote: Considerable expertise in people who have been looking at policy costings over time. If you look at the staff at the moment, roughly a third is macro, a third is in detailed spending and tax coverage, and a third is the longer term analysis and other supporting material. Having people who have been in the process of producing the sausages helps them scrutinise the sausages after the event.

Q37 Jesse Norman: On behalf of butchers everywhere, I am pleased to hear that. Can I ask a question about interaction? When you look at a policy, it is not just a policy, it is a policy in a context. A mansion tax may not be a mansion tax if it is presented in a different way or if it has other interactions, for example with housing policy. In principle, how would

you stop those decisions from leaching across other policy decisions? How do you insulate a request you have been given to look at a particular policy from other commitments that a political party may have made that may bear on that policy's effectiveness or cost?

Robert Chote: I think for broader policy commitments that would be quite hard to do. If you had a specific set of 10 tax policies and one of them was on the basic rate of income tax and one of them was on the allowance, clearly the costing of one of those is going to depend on the other one. There is a direct interaction that would be relatively straightforward to deal with. Across broader policy of the sort of, "This won't have that effect because we are going to be doing something airy on planning", you are not perhaps going to be able to.

Q38 Jesse Norman: So there is a further dimension of complexity that has not been brought out so far that we should think about?

Robert Chote: Yes. It is a complexity, of course, that exists with what we do at the moment.

Chair: Mr Chote, thank you very much for coming to see us this afternoon. We will be looking forward very much to the fruit of your labours in a formal capacity, in the official capacity as the forecaster, very shortly.