



Treasury Committee

Oral evidence: [Review of the scope and performance of the Office for Budget Responsibility](#), HC 514

Wednesday 14 October 2015

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Members present: Andrew Tyrie (Chair); Helen Goodman, Stephen Hammond, George Kerevan, Chris Philp, Wes Streeting

Questions 1-57

Examination of Witnesses

Witnesses: **Sir David Ramsden**, Chief Economic Adviser, HM Treasury, and **James Richardson**, Director, Fiscal, HM Treasury, gave evidence.

Q1 Chair: Thank you both very much for coming in this afternoon. You have both had a hand in the creation of the OBR. Certainly, Sir Dave had a big hand in the OBR. One might say that it is your baby, in some ways, certainly at a staff level in the Treasury. The forecast generally has been very much your pigeon for a long time. Can I begin by asking what it means when it says on the Treasury website that your report, which we are looking at today, is an independent report? Independent of whom?

Sir David Ramsden: I should say at the outset, thank you for inviting us along to this session. We always saw this as a key part of the process of producing this review.

It is clearly a Treasury review, but it was a review led by me and I was at liberty, as it were, to reach my own conclusions on the review recommendations, drawing on all of the evidence that we compiled during the review process and on previous evidence.

Q2 Chair: There are liberties and liberties, so let us just explore how much freedom there really was around. When you were drawing up your conclusions, did you discuss them with the Permanent Secretary?

Sir David Ramsden: With the Permanent Secretary—

Chair: Or with private offices.

Sir David Ramsden: I certainly told the Permanent Secretary where my thinking was going.

Q3 Chair: So the answer is yes. Would you have expected Ministers to be aware of where you were taking this?

Sir David Ramsden: I am genuinely not sure about that. The Chancellor asked me to do the review and then really left me to it. My thinking developed as I did the review. Obviously it has been framed, as you say, by nearly 30 years of having been involved in forecasts and having set up the OBR.

Q4 Chair: I just want to concentrate very much on to what degree this is an independent review. You are working in the Treasury, you are a line official accountable to the Chancellor of the Exchequer, and yet curiously this is billed as an independent report. Is it not really every bit as much the Chancellor's report as it is yours?

Sir David Ramsden: You can argue about whether it is independent in the way that the review Sir Charlie Bean is doing of statistics is independent, but it is clearly my review.

Chair: I am not arguing. I am saying that it clearly does not look that way, and I am asking for confirmation or not of that.

Sir David Ramsden: I would describe it as a Treasury review produced by me. That was how Robert described it to you in his hearing last month.

Q5 Chair: So we should not be misled by this word "independent".

Sir David Ramsden: It depends what you mean by independent.

Chair: I have been trying for some minutes to—

Sir David Ramsden: I feel as if I reached conclusions independent of the Chancellor and Nick Macpherson.

Q6 Chair: Did you get any feedback from them at any time as you were doing it?

Sir David Ramsden: I did get some reactions, but nothing where they overruled something I was thinking.

Q7 Chair: When you got their reactions did you ignore them?

Sir David Ramsden: I reflected on them rather than ignored them, but I do not think they changed the direction of my conclusions. There was one area where I think that I would have gone further than I ended up going, but I understood why. That was for wider Treasury reasons around setting the budget of the OBR. I could see the case for getting it sorted out at the time that we announced the review.

Chair: Sir Dave, you are a top-flight mandarin and you are playing a very straight bat. I think I have got the general tenor of what you are going to say on the subject. I am not going to linger any more.

Q8 Helen Goodman: Thank you for coming in this afternoon. There is, in your report, quite a lot of analysis of what goes on in other countries. Do you think that we have much to learn from the Slovaks? There is a reference to what goes on in the Slovakian institutional arrangements. Do you think we have much to learn from the Slovaks?

Sir David Ramsden: Yes. As I recall, and James will correct me if I have it wrong, the Slovaks have more autonomy on their budget for their fiscal council than other fiscal councils. I recall it is independent of Government and is set by the central bank. So I think that they are quite an interesting case study.

Q9 Helen Goodman: What is the fiscal credibility like in Slovakia? What is their rating in the money markets, for example?

Sir David Ramsden: I do not have that information in front of me. I was looking at their institutional structure, which was interesting about the Slovaks. I must admit, I took more interest in the Dutch CPB, which I thought was very relevant to some of the questions that the review needed to consider and which I knew you would be interested in. The Slovakian example was worth covering because other people had flagged them as being a leader in terms of budgetary independence.

James Richardson: It was something that the OECD particularly recommended, that we talk to the Slovaks.

Q10 Helen Goodman: You have some graphs in your report that correlate independent institutional arrangements with fiscal credibility. To what extent do you think these are coincidental—Governments are focusing on this issue, setting up institutional arrangements and shifting policy because they are concerned with this after the financial crisis? To what extent do you think those graphs prove causation as well as correlation?

Sir David Ramsden: Causation versus correlation is always a question worth asking and we were quite careful, in the way that we presented the evidence, to frame it appropriately. I do think that that kind of evidence is pretty suggestive. We flagged that the number of fiscal councils has increased. I think it has almost tripled since the financial crisis, so obviously fiscal councils can be seen, as the OBR was, as a reaction to the situations that we find ourselves in, as well as longer-term issues in the UK in terms of perceptions of bias. It is very hard to prove causation, but the evidence we presented is certainly suggestive.

Q11 Helen Goodman: What did it cost to do your report?

Sir David Ramsden: In addition to what we were already doing, there would have been some overtime for the team, some of whom are sitting behind us, but we did not employ any extra staff. We did do some travel. For example, four members of the team went to Washington for the seminar that the IMF convened for us. I can certainly put together an estimate of the additional cost, but in terms of travel and overtime I would guess it would be in the low tens of thousands.

Q12 Helen Goodman: Just following up on the questions that the Chair asked, it does seem rather odd that we introduce the OBR, which has a very good reputation and nobody is really criticising in this country, to be an independent check on the Treasury. The Treasury then asks somebody from abroad to do an inquiry into how the OBR is working. That is a completely reasonable thing to do. However, then the Treasury decides to have an independent inquiry into the independent institution that is meant to independently look at its work. Then you take the time to find out about the arrangements in Slovakia and I do not know where else, and then we are supposed to take this seriously as an independent report. It just does not seem to ring true.

Sir David Ramsden: The process had been set out well in advance. Your predecessors on this Committee back in 2010 asked for a review after five years, and the legislation then made clear that there should be an external review. Kevin Page was from Canada, so it is another instance where we have imported talent from Canada, but he was the parliamentary budget officer in Canada.

Helen Goodman: I am not criticising that. I am questioning whether, on top of his, it was actually necessary for you to do this piece of work.

Sir David Ramsden: It was just that the way that you described it did not make it sound as if he were as credible a person as he was.

In 2013, the Government announced that the Treasury would do a review on the back of this external review and it would be early in the next Parliament, because after five years seemed like a good time to take stock. I was then asked to carry out this review and to make it my review as opposed to it just being the Chancellor's review.

Q13 Chair: Just in order to clarify this—is it the Canadian review, which was done earlier than the five years set out in the legislation, or is it your review that is satisfying the legislative requirement?

James Richardson: For the Budget Responsibility and National Audit Act it is the Kevin Page review.

Chair: Even though it was done early.

James Richardson: Yes, because it was done within the period allowed for within the legislation. It is standard practice across Government for all arm's-length bodies to be reviewed by the sponsoring Department periodically. There is nothing unusual about this. It is normal business of government to do these kinds of reviews.

Q14 Helen Goodman: One of the places where the Ramsden review differs from the Page review is on the costing of Opposition party manifesto policies. Would you like to say why you do not want to recommend the OBR to cost Opposition policies?

Sir David Ramsden: Yes, I am very happy to. Just to start, Kevin Page in his review suggested that “caution be exercised in considering the expansion of the OBR’s mandate”. Back in late 2014 he was highlighting that he thought there should be caution. We tried to look at this issue as thoroughly as we could, because we recognised how important an issue it was in the debate. We devoted several pages to it in the review document. I had always been very supportive of the OBR, and I had read Kevin Page’s review, but we talked to about 50 stakeholders and they were consistent in their praise for how the OBR carries out its current remit. I was very struck when talking to a wide range of stakeholders that some were not persuaded that there was any case at all, given how successful the OBR was on its core remit, for moving beyond this. Some were supporters of moving into Opposition costings, but were sceptical about the case for doing it now. That was very interesting to me.

You have mentioned Slovakia a couple of times, and we had one phone call with the chap from Slovakia, whereas I visited the current director of the CPB in the Netherlands and talked to her predecessor, Coen Teulings. What struck me about those conversations and that visit to the Netherlands—and this is a point that the OECD make—is that there is no one-size-fits-all model where you can export something that happens in the Netherlands.

Q15 Helen Goodman: No, of course, because it has to fit in with the institutional arrangements in the other country. I completely take that point. If I might say so, you are straying a little bit from my question, which was not the process you went through but your reasons for thinking that it was not a good idea for the OBR to be costing Opposition policy.

Sir David Ramsden: Sorry, I thought talking about the different Dutch context was relevant, but excuse me for that. If you look at what the OBR faces over the next five years, it faces huge and, indeed, increasing challenges in carrying out its core role. When you discussed Robert Chote’s reappointment last month, he flagged the issues around productivity. They have massive judgments to make—I think this is relevant, Chair.

Q16 Chair: It is relevant; we have that point. There is a risk of overload. Are there other arguments?

Sir David Ramsden: I think their core job around judgments on productivity, how they measure uncertainty, what they are going to have to do on devolution—

Chair: We really do not need the long list. I think we have got the point that you are concerned that they would be overloaded. That was one of your reasons.

Sir David Ramsden: That was one. I was worried, therefore, that even with the very significant additional resources it would require to do this, they would not be able to do it well alongside doing their core job to the extent we would like them to. They are also going to face challenges around changes in personnel. They have a BRC at the moment

that has worked through one election, but they will have two new BRC members by the time of the next election. That was another consideration for us.

More fundamentally though, having learned from the Dutch experience and talked to both the head of the CPB and Dutch officials, Dutch civil servants are in a very different position from where UK civil servants are as of now. The whole point about the way costings are done in the UK is that the OBR certifies them and then calls on the resources of tens if not hundreds of people around the civil service who actually produce the costings that they certify and have lots of challenge meetings with, and the like. This would require a big change in the role of civil servants. In my own assessment, I felt that if Parliament wanted that change to happen and voted for it, that could be done, as Robert has said, but it would be a major change in the role of civil servants.

To give you an example, I did not have any engagement with Opposition parties before the last election. Under these kind of arrangements, I would be having to see a major process whereby tens if not hundreds of civil servants were engaged in doing work for the Opposition parties that had to be separate from the work that they did for Government. That seemed to me to be a very big change from the way the UK civil service operates.

Q17 Helen Goodman: Sir Dave, your stakeholder engagement did not include any British parliamentarians, let alone Opposition parliamentarians. I can see and understand that there is a workload issue, but you seem to be saying that there is a risk to the reputation of the OBR and the civil service, as if considering different policy options risks the neutrality of the civil service. Is that your view?

Sir David Ramsden: I just think that it would be very, very difficult to make it work.

Q18 Helen Goodman: My recollection is that, for example, prior to the last election I was in a shadow ministerial team and we had meetings in the run-up to the general election with the Department we were shadowing. They were not just in the short three-week campaign; they were several months in the run-up.

Chair: This is in the six-month period provided by the Cabinet Office guidelines.

Helen Goodman: In the six-month period. I am not quite clear why we could not include the OBR in some costing not of every single last detail of the manifesto, but of some key policy planks on an agreed-time basis in that six-month period. Do you think that is significantly different from the discussions that Permanent Secretaries have with shadow Secretaries of State?

Sir David Ramsden: I think it would have to involve many more civil servants. I am not saying that it is impossible. I judged that it would make the position of civil servants more complex and more difficult. I was not saying that it was impossible, but I was asked to do a review on whether I thought it was going to add to fiscal credibility.

James Richardson: Also, you have to reflect that those are very private discussions. They do not enter the political campaign. Political parties do not come out and say, "We have talked to the Permanent Secretary of the Department of X and they have told us our

policies are sensible” or “costed”. That is very different from the process that takes place in the Netherlands—

Chair: But that is not what is being proposed.

James Richardson: —where the CPB’s judgments do become very much part of the political debate.

Chair: This is the OBR we are referring to.

James Richardson: We are saying that OBR’s costings becoming part of the debate is quite a big risk to the reputation of the OBR.

Helen Goodman: They become part of the political debate anyway.

James Richardson: It is very different from a private conversation with a few senior officials that does not enter into the campaign. I do not think you can draw—

Q19 Helen Goodman: We are all quoting the OBR all the time. When the OBR said that the state was going to shrink back to the level of the 1930s, every Labour MP was waving it in every journalist’s face. Of course it is in the political debate. Do you not think it is a little bit naive to think that work for one party is not political and work across parties is political?

James Richardson: I think there is a distinction between work for the Government and work for a political party.

Q20 Helen Goodman: Of course there is. We started off by asking you about the independence of the review. The one issue in this whole area where the Treasury Committee has taken a different view from the Chancellor is this issue of costing Opposition parties’ programmes. That is the one place where you have taken the Chancellor’s view and not anybody else’s. Do you think that this adds to the credibility that you have behaved in an independent way?

Sir David Ramsden: I would like to think that my 28 years of being involved in forecasting and being a civil servant means that I am a credible person to talk about this, but that is for you to judge. The other thing that I would say is that we are certainly not ruling out, for example, building on the work of institutions in the UK, such as the IFS. One thing that was interesting about the Netherlands was that it really is a dialogue between the CPB and the parties. They do not have an equivalent of the IFS which can do this kind of activity, and indeed has done this kind of activity increasingly in the UK. We saw that there were alternative bodies in the UK that could do this, where you would not run the risk that I saw with the OBR doing this.

Q21 Helen Goodman: Apart from the IFS, who do you think they might be?

Sir David Ramsden: The CEP at the LSE has started to get into doing this a bit more. As I say elsewhere in the review, I would like to see more of a fiscal community where these

kinds of issues are discussed at a macro level. For example, the National Institute of Economic and Social Research could get more involved in this kind of thing.

James Richardson: The CEP is doing costings for UKIP, I believe.

Q22 Helen Goodman: As long as those institutions have the funding for it, I think those are very interesting suggestions.

Sir David Ramsden: I strongly agree on the need to fund those institutions.

Chair: Coming here to make a public expenditure bid as well—we do not often get that from the Treasury.

Sir David Ramsden: No, making a bid for the ESRC to spend its existing money wisely.

Chair: Aha, cuts in other parts of their programme.

Q23 Wes Streeting: In listening to your answers to Helen Goodman, I can appreciate from a civil service point of view the argument you make about resources and not just the practical inconvenience, but the potential blurring of boundaries. I am just wondering where the public fit in your consideration.

Sir David Ramsden: The public are really important in all of this, just generally in terms of trying to inform the public of the really important issues that the OBR is dealing with. A significant set of recommendations that we make is about trying to get beyond what Robert Chote calls “the cognoscenti” and trying to get messages over to the public, where my view is that the OBR could do quite a lot more.

Q24 Wes Streeting: We might come back to that, but specifically on this particular issue, can you not see the advantages from a public point of view of being able to have a political debate in the run up to an election that is about the merits of the policies rather than the political slanging match about whether those particular policies are credible in terms of fiscal credibility, economic credibility and the sort of issues that the OBR can look into within Government?

Sir David Ramsden: In the review we do air those arguments. We come down against the OBR being involved, but we do see a case, which is why the review flags that institutions like the IFS could do more. We do see a case for that kind of debate being informed, but I came down, in weighing up the evidence, strongly against that being given to the OBR at this stage.

Q25 Wes Streeting: Do you think that’s something that the Treasury should provide resources to the IFS to do, in that case?

Sir David Ramsden: I do not think the Treasury should provide resources to the IFS. There is a well established system whereby the research councils, in this case the ESRC, fund bodies like the IFS—for the work they do on the budget I think they received money

from the Nuffield Foundation and others—and other bodies. I do think there is a case for bodies seen as credible being funded to do this.

Q26 Wes Streeting: I was interested in your language in response to a previous question, talking about stakeholders. You said that some were supportive, but were sceptical about the case for doing this now. I am not sure if you were talking about the stakeholders or your own view. Given that we are this side of an election and we do not know what the Shadow Chancellor's view is on this, the political fray and the urgency are taken out of the equation. Do you see a case for looking at this again and changing your mind with more time in the run-up to the next election to really think about some of the complexity and detail?

Sir David Ramsden: What I tried to do with the review is set out a set of recommendations that would last through this Parliament. It will obviously be for others to determine when there should be another review. An argument made to us by stakeholders—which I did not think as important as protecting the OBR's performance around its core functions—was that the OBR is a young organisation. It has been going for five years. It took 40 years before the Dutch Central Planning Bureau took on costing. The Dutch Central Planning Bureau was set up in 1945. A number of people made this point to us and it was something that Kevin Page, who did the external review, was very focused on. It was something that might evolve over time. I do not think that he meant the next couple of years, but as the OBR became a more mature and established institution. I did not think those arguments were as strong as just the arguments about protecting the OBR's abilities around its core functions, and the other issues I have discussed with you. That was what I meant by that stakeholder comment.

Q27 Wes Streeting: Thank you. In previous sessions when we have considered this, Stephen Nickell from the Budget Responsibility Committee has said that the OBR costing parties' manifestos would be a very good thing. Robert Chote told this Committee that it was potentially very valuable. I am not clear yet from any of your answers which individuals or groups have said that this would be a bad thing.

Sir David Ramsden: Stephen Nickell had a set of conversations with Coen Teulings. I also did, as I have said. Stephen did flag the practical challenges.

Wes Streeting: We know his view. We have seen him. I am wondering which groups expressed a view to you that this would be a bad thing, or at least what proportion of stakeholders. With the breadth that you have considered, could you at least give us a sense of what proportion thought it was a bad thing and what proportion thought it would be a good thing?

Sir David Ramsden: We talked to advocates of it.

Wes Streeting: Who thought that it would be a bad thing?

Sir David Ramsden: Giving you the specific ones who thought that it would be a good thing: Simon Wren-Lewis.

Wes Streeting: That is not the question I asked.

Sir David Ramsden: I would say that the majority thought, as I said in my opening remarks, that the OBR was doing a very good job doing what it does at present.

Chair: We really have heard that. What we are really after is the answer to the question from Mr Streeting.

James Richardson: We did promise people that we would not say what they had said in the session, so that they could be frank with us, but certainly in the sessions I was in—

Q28 Chair: So you have got the views of these people, but their names cannot be divulged.

James Richardson: The names of the people we saw are in the review. We asked them whether they would be happy for us to publish the fact that we have consulted with them, but we promised them that the contents of what they said would be kept confidential. That is standard practice in this kind of thing.

Q29 Chair: So we have a heap of people out there who opposed this, but they have all asked for their names to be withheld.

James Richardson: No, sorry. I don't think I said—

Sir David Ramsden: We have listed their names.

James Richardson: We have listed the names of everybody that we have talked to.

Wes Streeting: That you saw, but nobody is brave enough to go on the record on this point.

James Richardson: No, we promised everybody at the beginning, before the conversation, in order to have the widest possible conversation, that we would not get into what individual people said. That is perfectly normal practice. If I can try and offer an answer to your answer on the percentages, I did not see everybody on the list; inevitably, different members of the team met different people. I probably met about 30.

Chair: I am sorry to interrupt. Send us those percentages if you have them, but we are dragging on and on and you are going round and round the houses in answers. It would be very helpful if you would try and answer these questions more concisely. Quite a number of them are quite direct and clear, and if you are not sure of the answer just say. We quite understand. If you are not clear of the answer you can come back in writing. I do not think we can carry on like this much longer.

Q30 Wes Streeting: Having been a witness, I am in danger of becoming one of those MPs I loathed when I was in front of Committees.

I am going to move on to a slightly different final question. In your review you provided several reasons, which we have heard rehearsed again here, as to why this was not a desirable change to the scope of the OBR. Given the conversation this afternoon and given the testimony we have already heard from witnesses on this

particular issue, I am struggling to understand how you reached a conclusion, as one of the reasons for not expanding the scope of the OBR in this respect, that there would be no or limited benefits to fiscal credibility. How could there be no or limited benefits to fiscal credibility if you have the OBR costing Opposition policies in the way that many other people have said is desirable? I heard your other arguments about the practical implications or obstacles, but I really struggle to understand how you reached this conclusion.

Sir David Ramsden: The way I think of fiscal credibility is Governments doing what they say they are going to do. That means that once you become the Government you set out your programme and then you are held to account for that, in this case by the OBR. As I have said to you, I can see how it can inform the debate during elections, and in the Netherlands it means that the election debate is carried out over several months. There has to be 80 days for the CPB to do their work before the election, and so as parliamentarians you would have to set out your programmes very early. I can see how that could inform the debate in the run-up to the election, but I think of credibility in terms of the actual programme that a Government then puts into place once it becomes the Government and being held to account against that.

Q31 Chair: So you do not think that the OBR could contribute anything by giving the impression that a party's intentions are likely to carry credibility.

Sir David Ramsden: That was my assessment.

Chair: Okay. That is fine. You have given us the assessment.

Q32 George Kerevan: Good afternoon, Sir David. I am afraid my sense of lèse-majesté means I cannot call you "Sir Dave". I am interested in the fiscal risks statement. You have come out in favour of the OBR producing a regular fiscal risks statement. How regular would regular be?

Sir David Ramsden: We will have to see what resources the OBR is given to do this. I could imagine it being either every year or two years. It would also obviously supplement what they say in every one of their current documents about risks. The idea here is that you bring it all together as a composite of all of the risks discussions they think are relevant, but which currently get a bit lost in their key documents. I do not know if the IMF has any best practice for this.

James Richardson: I am not sure there is best practice. I think that we have said in the draft charter that is before you today that it should be at least every two years, although I fear I do not have a copy in front of me to check. That is my memory, that it should be at least every two years.

Q33 George Kerevan: It seems to me to be a valid exercise for the general public in terms of engagement in assessing the viability of forecasts, over which there is always a question mark. To be viable, you would need to be specific about the regularity, and that would indeed involve a financial element to it, but again your report was

unspecific about any financial recommendations. From having independently reviewed the situation, what resources do you think the OBR should have to produce a regular fiscal risks statement?

Sir David Ramsden: Some of it is about bringing together assessments of whole-of-Government accounts or where multiple policies in a particular sector are creating risk. They already do these, so there is a bit of co-ordination. With that and some of the work we have done in parallel to the review in thinking about fiscal risks—it can get quite technical in terms of the analysis of where risks are correlated with each other and how far that goes—I think that you are talking about at least one serious analyst just on this.

Q34 George Kerevan: Just one person?

Sir David Ramsden: A serious analyst, supported by other people in the operation.

Q35 George Kerevan: To my mind, the report is also unspecific about just what you meant by a fiscal risk statement. One reading, as you have just intimated, is that you simply consolidate the existing assessments and put them in one place. A naive person like me would think that the risk assessment has to involve some look at shocks to future revenue streams to the Treasury. That takes you into the realms of looking at the global economy and so on. That would suggest to me you need more than one person, and you are doing new things, independently of the Treasury. To be specific, are you talking about a process simply of consolidating existing work in one place so that we can read it, or is there more risk assessment that has to be taken anew, in which case we come back to the question of how much?

Sir David Ramsden: It would be for the OBR to determine how broad they want to go, but you have hit on an area that would definitely be new analysis—around scenarios, looking at the effects of different shocks, what that would do to different bits of the Government's balance sheet, and interactions of different policies in different environments. The OBR has shown so far that it can do a lot with one good analyst. I would say that is a minimum.

James Richardson: I have an advantage in this, because I am the Director of Fiscal, so how many people there are directly benefits my work. I would prefer to see at least two people. Two people full-time for two years is quite a lot of analytical capacity.

Can I just come back very briefly on your point around specificity on this? Obviously we did not want to tell the OBR what to do, but we do point to the IMF's fiscal transparency code, which has some pointers as to what should be in a fiscal risk statement. We are using that IMF best practice to frame this for the OBR.

Sir David Ramsden: We also think that there would be extra resource more generally in terms of disseminating this information. It is quite striking that one of the OBR's really important products, the forecast evaluation report, came out yesterday for this year, and that has not had any coverage by anyone. The OBR did some tweets on it. It has some really important analysis of their forecasting performance. We would like to see, for things like that report and a new fiscal risks report, more resource in terms of dissemination. That

is not just to the expert customer, but also, going back to the discussion I had with Mr Streeting, it is about trying to get some of this information in simplified form to the public.

Q36 George Kerevan: Absolutely. One or two analysts and more money for dissemination. I am not suggesting that you make it up on the spot in this Committee, but I do think that we have opened up a debate about the resources the OBR might need. I would have thought that it would require some serious review within the body of your report rather than leaving it entirely open, because that opens the risk that we end up with a risk statement that is simply a consolidation of existing work.

Sir David Ramsden: Robert Chote, from my experience of him, and indeed his colleagues on the BRC are not going to take on anything that they cannot do justice to with their resources. That will be part of their negotiation with the Treasury for the spending review.

Q37 George Kerevan: So the resolution of your recommendations is now dependent on the spending review.

Sir David Ramsden: It is, yes.

Q38 George Kerevan: And you did not feel, in your independent reviewer capacity, a responsibility to give some steers to the Treasury as to what resources might be necessary to implement your recommendations.

Sir David Ramsden: As I said at the outset, I did feel that responsibility, but I was persuaded by the Permanent Secretary that this should be done as part of the spending review. If I were out there making resource bids—

Q39 George Kerevan: Are you going to make, privately, on the back of this, a response to the spending review as to what resources you think should be given?

Sir David Ramsden: I will get to input into the spending review discussions.

Q40 George Kerevan: Is that on this specific subject?

Sir David Ramsden: Yes.

Q41 George Kerevan: My final question, Chair. Again with your independent reviewer's hat on, would you recommend that there is an institutional response from Treasury and Government mandated to the fiscal risks statement as it comes out?

Sir David Ramsden: I would, yes.

Chair: Thank you very much. That was a very short, crisp answer.

Q42 Chris Philp: I would like to ask about the independence of the OBR in practical terms. Is that something that you investigated in depth in the course of compiling your report? Has it really been independent in practice?

Sir David Ramsden: It is a really important issue. When you did your inquiry back in 2010 and took evidence from a lot of people, including Sir Alan Budd and Robert Chote, in a different role those days, these worries about independence were front and centre, and that was going to be the clear test of how the first five years went. I cannot quantify this, but what really struck us was that the vast majority of the people we talked to—and building on what Kevin Page learned in his review, where he did a survey—had a strong perception that this is an independent body consistent with the OECD principles for independent fiscal institutions. It does not seem to me an issue in practice, which I think is impressive after five years.

Q43 Chris Philp: You have commented on the perception. Do you think that the reality is consistent with that perception?

Sir David Ramsden: I do think that the reality is consistent with that perception, yes. My sense from what Robert told you in his reappointment hearing last month is that he also thinks that.

Q44 Chris Philp: Did you look into the widely reported episode towards the end of last year when email traffic was published by *The Times*, in which a Treasury official seemed to give, you might politely say, suggestions to the OBR in its drafting of the December 2014 economic and fiscal outlook report? Was that an episode that you considered in the course of compiling your report?

Sir David Ramsden: It was happening in parallel.

Chris Philp: Your report was published on 3 September this year, so you had about a nine-month lag.

Sir David Ramsden: We released the information under FoI in early August, so actually it was in parallel, and James and I were involved in the decision to release that information.

Q45 Chris Philp: Did you consider that information in compiling your review?

Sir David Ramsden: No, because we considered it to be a routine FoI to release. We did not make a case for blocking it or anything like that. It crossed my desk, but I did not see it.

Q46 Chris Philp: No, what I meant to ask was: did you consider the implications of this email traffic in compiling your review?

Sir David Ramsden: It was email traffic with a relatively junior official. I had not even been copied in on it at the time of the email traffic, last December. It did not register to me as very significant.

Q47 Chris Philp: The memorandum of understanding governing the relationship between the OBR and the Treasury says that any communications should be factual in nature. By the author of the email's own admission, the comments were not limited to factual matters. They included presentational matters, some of which were, in fact, then adopted by the OBR.

Sir David Ramsden: Robert took on one comment that you could argue goes beyond fact into interpretation, but then he published a document setting out in detail why he thought that that assumption had had a long history and ended up in quite an interesting place that was consistent with the language that he chose not to use. Robert's reaction was actually to draw more attention to it rather than less.

Q48 Chris Philp: Is it common for Treasury officials to offer this sort of advice or make these sorts of suggestions prior to the publication of OBR reports?

Sir David Ramsden: The way that it works is that I write to Robert asking for pre-release access. Under the MoU they send over the report on the Friday, and when they send it over, in the emails they send across, they make it very clear that it is their obligation to say if they want any factual checks. I think that is how paragraph 23 of the MoU works. As I say, there is then quite a lot of traffic backwards and forwards between the OBR at working level and Treasury officials at working level, not the kind of thing that I see at all.

Part of this is actually, as I think Robert has said to you, about quality assurance. This process, as well as helping us in understanding what the OBR are going to say, helps the OBR in checking that they have descriptions of policies and the like right. In this instance, we did not see any reason at all why this could not be released under FoI, because apart from one phrase where a relatively junior official had flagged a description, it looked to us to all be consistent with factual checking. We did not think that it was a big issue at all, but obviously the press think it is a bigger issue.

Q49 Chris Philp: This official's email did say, "It won't come as a surprise I'm sure, but we haven't strictly stuck to the 'factual changes only' requests".

Sir David Ramsden: That only shows that they recognise the MoU. It also shows a very good working relationship at working level between us and the OBR to help them in doing their job.

Q50 Chris Philp: Just in conclusion, then, you are satisfied, having reviewed this, that the OBR is functionally independent of Treasury officials and is not suffering from any undue influence.

Sir David Ramsden: I am satisfied. It comes back to a concern that was raised back in 2010. The model that we have gone through, where we have a relatively small, tightly resourced OBR, it is going to be reliant on Treasury models, on Treasury officials doing costing work that it then certifies, and on a lot of Treasury analysis. As Sir Alan Budd said back in 2010, it would take an OBR of 100-plus, potentially, just on the forecasting. So

given that that model is working, these kinds of instances do throw a light on how it works at the operational level, but I do not think they undermine in any sense the OBR's functional independence.

Chris Philp: And I am sure that everybody would welcome the value for money represented by the model that you have just described.

Q51 Stephen Hammond: Good afternoon. You will obviously be aware that the Chairman of this Committee expressed disquiet to the Chancellor about the late announcement of the reappointment of Mr Chote. Given that your report actually highlights the importance of succession planning, should your report not draw a conclusion that there ought to be a longer period for announcements about succession of the chairmanship so that this Committee can do its work, amongst other things?

Sir David Ramsden: As well OBR appointments, I have some responsibility for appointments of external members of the MPC, so I am very conscious of your needs. We very much tried to meet those with the reappointment of Stephen Nickell for a second term, and Graham Parker. The issue with Robert's first five-year term was that it did bridge an election period. The judgment was taken not to attempt to find a way of resolving this, as I think that Robert would have preferred, pre-election, by consulting all of the different—

Q52 Stephen Hammond: What about the period between May and September?

Sir David Ramsden: We had a lot on.

Q53 Stephen Hammond: Given that this is a public body with real significance in the institutional framework of looking at macro-economic policy, surely we could say that for at least three months prior to the end of someone's term, a successor should be appointed so that succession planning can happen.

Sir David Ramsden: As I say, I see the case for that. The timing was very awkward with the July budget and everything that we had on. As recommended by the Page review, we have been drawing up longlists for the succession planning for Graham Parker and Stephen Nickell, and I recognise that in this case you were left with very little time, as you highlighted in your hearing with Robert.

Q54 Chair: So was Robert—left with very little time.

Sir David Ramsden: Robert was left with very little time as well, yes.

Q55 Stephen Hammond: Your report does not have a recommendation to that effect?

Sir David Ramsden: It does not, no.

Q56 Stephen Hammond: I was just going to come on to Professor Nickell and Graham Parker, as clearly they are the next two most important officials in this whole body. From what you have just said, can I take it that work to find their replacements has already happened or is in place?

Sir David Ramsden: Work to find their replacements is under way, yes.

Q57 Stephen Hammond: I will not explore that any further.

My final point was that clearly one of the issues here is the quality of individuals you get to fill these posts. Given the significance, I think there are two questions here. First, is it really right that some of these posts are part-time? Secondly, given that Robert Chote put to us his view that the OBR ought to have the opportunity to have some flexibility in deciding the remuneration package to ensure the highest quality people, do you not think that the chairman of the OBR ought to have that flexibility?

Sir David Ramsden: I would need to check on what flexibility there is for Robert as chair, in terms of remuneration. He was involved in the interviews when we initially appointed Stephen and Graham.

Stephen Hammond: I think that we would be grateful for that, because my understanding is that he has almost no flexibility within the civil service grading system.

Sir David Ramsden: I am not sure where the BRC members fit into the civil service grading system.

James Richardson: The BRC members are not civil servants, as I recall.

Stephen Hammond: Perhaps you can clarify that.

Sir David Ramsden: Yes, they are not civil servants. What we did say in the review, picking up on your other point, is that we completely agree that there should be flexibility around whether they are part-time or full-time, and I think that might also differ between the BRC members focused more on the economy and on the public finances. Graham has a particular expertise, experience and skill set which would be very hard to replicate in someone part-time.

Chair: Thank you very much for coming and giving evidence. We have picked up a few things. There has been a heap of work done on the OBR over the last year and a half, or two years if you include the start of the Page review. This Committee will now examine the evidence that has come into the public domain and come to a view about it itself. Thank you very much.

Sir David Ramsden: Thank you.