HOUSE OF COMMONS

Procedure Committee

Oral evidence: [Scrutiny of the Government's Supply Estimates](), HC 774

Wednesday 20 April 2016

Ordered by the House of Commons to be published on 20 April 2016

– Watch the meeting

Members present: Mr Charles Walker (Chair); Edward Argar; Jenny Chapman; Nic Dakin; Patricia Gibson; Patrick Grady; and Mr Alan Mak

Questions 1-23

Witnesses: **Scherie Nicol**, Analyst, Parliamentary Scrutiny, Budgeting and Public Expenditures Division, Organisation for Economic Co-operation and Development, **Ronnie Downes**, Deputy Head, Budgeting and Public Expenditure Division, Organisation for Economic Co-operation and Development, and **Dr Joachim Wehner**, Associate Professor in Public Policy, Department of Government, London School of Economics, gave evidence.

Q1 Chair: Thank you very much for coming to see us today. Would you like to make a brief introductory statement—one of you, two of you or all three of you?

Scherie Nicol: I'm happy to go straight to questions.

Q2 Chair: Is everybody happy to go straight in? Okay. The vexed issue of estimates. I have a straightforward question: why would the UK Government be interested in opening this process up? It seems to do extremely well out of the current construct. What is in it for the Government?

Ronnie Downes: I will go first, if I may. Just to introduce myself, I am Ronnie Downs, the Deputy Head of the Budgeting and Public Expenditure Division in the OECD. My colleague, Scherie Nicol, and I have been working on parliamentary budget reform recently from an OECD-wide perspective. If the question is why a Government should undertake parliamentary budget reform or why it should reform its budget processes, one of the answers that is relevant to today's political system and public governance system has to do with openness and transparency and the quality of decision making. Over recent years, we have seen a trend around a number of OECD countries towards greater transparency, accountability and openness in budgetary governance, as we call it, including with a view to the role of Parliament and how Parliament engages with the budget process. Certainly, this has taken wing to a certain extent with the Open Government Partnership—of which the UK is one of the founding sponsoring countries—which is a movement to promote good quality governance around the world, and openness, transparency, accountability and inclusiveness in decision making are seen as part of this.

To put it in other terms, what we see from an OECD perspective are the benefits in terms of trust in Government and in terms of public engagement when people's representatives in Parliament fully engage in the scrutiny role in an effective and meaningful way, and also when they go beyond mere scrutiny to active engagement and contribution in the policy discourse role, of which budgeting is central. So much of policy making comes down to how much extra resources can be allocated to one area or another area. It is where things get real. You can have a theoretical discussion about policy making, but when it comes down to it, a crucial question is: how much will this particular policy area get in terms of resources? How will it be prioritised relative to other areas? What will be the final shape of the estimates of expenditure? What impacts will be expected in terms of public service outputs and outcomes? The more open, inclusive, transparent and accountable that process is, the better it is from the point of view of the quality of public service outcomes.

Q3 Chair: Would anybody else like to add to that?

Dr Wehner: Maybe just a couple of comments. It reminds me of the fact that it was Gladstone who pushed forward the reform of the appropriations and accounting process and sought to empower Parliament by putting in place or initiating the Gladstone reforms in the 1860s. So he very clearly saw that there is a benefit of bringing Parliament into scrutinising public spending and having functional oversight and control.

Just to pick up on what Ronnie was saying, I have been doing the open budget index for the UK for the past five or six iterations. The UK generally does extremely well in terms of macro fiscal disclosure, but it does less well when you look at the details of public spending. That is a weak spot in the overall transparency assessment of the UK. So the quality of the estimates is below par compared to the UK's own high standards in this area, but also compared to its peers and other OECD countries.

The last thing I would say is that, as Ronnie said, the quality of public spending in the period of sustained consolidation is a real concern. Looking in more careful ways at the composition of public spending, much below the departmental level, is a task that is essential in getting this right and making a contribution to getting good, high-quality public spending. That is very hard with the current form of the estimate.

Q4 Chair: So you are saying that improved estimates could help Governments make their case, as opposed to hinder them?

Dr Wehner: Absolutely. Gladstone definitely thought so, I would venture to say, and a lot of international colleagues and Parliaments around the world would agree with that as well.

Q5 Edward Argar: Just picking up a point you made there, Dr Wehner, in terms of how the UK's process compares to other comparable countries within the OECD, within Western Europe or across the Atlantic, can you enlarge on that a little bit? Perhaps Mr Downes or Ms Nicol might want to come in on it. How do our processes fit or compare with other countries in terms of the level and depth of scrutiny and parliamentary authority?

Dr Wehner: If my task was to design a parliamentary budget process that hinders effective parliamentary scrutiny of public finances, it is hard to imagine doing better than designing the process that is currently in place in the UK. The UK Parliament has very limited powers to making changes to the Government's proposals. It approves the budget extremely late—already about one-third into the financial year. By the budget I also mean the spending outside of the budget. The approval process takes place at such a high level of aggregation that the Executive has a vast amount of discretion in implementing public spending—much more than in most other OECD countries. So there are very few lines that constrain the Executive in the appropriations. In respect of the entire infrastructure in terms of Committees and research support in Parliament, other Parliaments are much further ahead in putting in place effective Committees that review public spending and in having experts in Parliament, through a parliamentary budget office, for example, to support that process.

Scherie Nicol: I would concur with what Joachim has said so far. The OECD has a budgeting practices and procedures database, where we gather a lot of information on OECD countries in the area of legislative oversight of the budget process. I have provided a couple of charts that are in front of you that cherry-pick some examples of where the UK sits, relative to its OECD peers. The first chart shows the time for legislative scrutiny of the Executive’s budget proposal and the time available between when the main estimates are presented and when they are voted upon.

You can see here that the UK is at the very lowest end of the scale relative to the OECD countries that we have data for. The United Kingdom and Greece have just one month for scrutiny of the main estimates, compared to the top end of the scale, where we have the United States with eight months. Best practice in the OECD is to have at least three months for scrutiny of the budget proposal by the Executive.

The second example I have given relates to the powers of the legislature to amend the budget proposal. The pie chart shows that the majority of countries in the OECD have unrestricted powers to amend the budget. There is just a small grouping of countries that have much more restricted powers to amend the budget, which impacts the extent to which they can meaningfully engage in the budget process. The UK can only amend the budget to decrease expenditure at the moment. It is only the UK and Chile that are in that position. Greece and Ireland also have limited powers in relation to amending the budget, as do other Westminster-style Parliaments, such as Canada. The majority of Parliaments in the OECD have unrestricted powers. That gives you a flavour of the extent to which budget oversight in the UK Parliament is relatively weak compared to its OECD peers.

Q6 Chair: Some could argue that we do it in a month because we are efficient. Is that not the case? No, seriously, how would you respond to that? That argument will be presented to this Committee: “We are terribly efficient in this country; as efficient as Greece.” How would you respond if that argument was put to you?

Ronnie Downes: One response is that the time that Parliament has to effectively consider, discuss and engage with the budget allocations is a standard international proxy for the level, quality and nature of the engagement on the process. Of course the quality of the debate—what kind of discussion, back and forth, and interchange takes place—is important. That particular index showing the length of time needs to be considered alongside the pie chart that Scherie mentioned, which shows what kind of engagement can take place. You can see that in that one-month period, if the question is what can the Parliament effectively do to impact upon or to input its views into the estimates process, the answer is very little; it is very circumscribed. If you take a qualitative view about what happens in the UK system, as well as just taking a look at the metrics, you get a consistent picture, which is that the type of engagement is not very strong. But you are the parliamentarians, so perhaps you can tell us if our impression is incorrect.

Q7 Chair: I am going to move on to another question. To simplify it, you would argue that in the UK, the Government presents the numbers and says, "Like them or lump them," and then, "Back them or sack them," and there is no room for any discussion or any significant consideration. It is a case of, "That is your lot. If you do not like them vote against us, but we have a majority and will just get them through on the numbers."

Ronnie Downes: One gets the sense in looking at the UK system that the budget process, the estimates process, is something that is done to Parliament rather than with Parliament.

Q8 Jenny Chapman: You indicated in your first answers why you think it would be good for the Executive to give away some of this control. I can see why you said what you did. I can also see our Government not quite seeing it the same way and quite liking the current arrangements, because they feel it is more beneficial, and just easier and quicker for them, to get to do what they want. What we are perhaps in the business of doing is enticing them on a journey here. We have examples where you say it is done in a different and, you would say, better way than we currently arrange things. Is there anywhere we can look where they have been on that journey and made some sort of transition or amended their procedures so that they have what you would see as a better way of doing things that we could look to?

Dr Wehner: There are number of countries within the context of the British Treasury model that it would be interesting to look at. New Zealand had some reforms in the mid-1990s that, for example, changed the Standing Orders of the Parliament and gave it greater authority to make changes to the budget, which has been exercised. Australia is always very interesting to look at. The estimates documentation that goes to the Parliament in Australia has some very interesting examples. I make a recommendation in my submission to look at South Africa, certainly in respect of the content and form of the estimates that were overhauled in the past 15 or 20 years. We should not forget the devolved Administrations in the UK. The Scottish Parliament, which Scherie knows much more about than me, has chosen an entirely different process, which is structured differently and has better documentation than is currently the case in the House of Commons.

Q9 Jenny Chapman: What is interesting to me is not Scotland, where you had an opportunity to start something afresh and could choose to do something different. We are not in the happy position of starting afresh. I can see in what may have initiated a complete rethink by the Government in South Africa, but in New Zealand and Australia what was it that triggered the desire by the Government to amend its Parliament's procedures?

Scherie Nicol: I can speak a little bit about New Zealand. There is a very proactive approach in New Zealand to continue to revise the Standing Orders on a periodic basis. Every three or four years, the Parliament revisits its Standing Orders and looks at whether or not they are fit for purpose. In New Zealand, it was not so much a significant event that happened as a rolling process of reform within the Parliament. When they made the reforms that Joachim spoke about in the mid-1990s, when they introduced greater powers of amendment, there was some resistance from Government at the time to introducing increased powers of amendment, so they introduced increased powers of amendment but with a Government veto in specific circumstances. There are various examples of countries that have met the same resistance, but have come up with innovative ways to move further along the route towards improved scrutiny, which you can draw from. We would be happy to provide more examples of that, if you want.

Dr Wehner: May I follow up just with one comment? What strikes me in the context of both New Zealand and Australia is that what happened to Parliament was part and package of reforms that pushed not only the performance orientation and public management, but also public financial management. If I look at the estimates documentation, New Zealand appropriates money on an output basis, which is a quite unique way of appropriating money. Australia does it on an outcome basis, which goes one step further in the performance chain. What happened in Parliament, and what led to a restructuring of the estimates documentation given to Parliament, was part of a much broader set of reforms that sought to strengthen the performance orientation of the public sector. It was done through the budget process in this particular case. If you look at the Australian estimates, they tell you what the objectives are on programmes. They tell you which outcomes programmes relate to. It is the same with the New Zealand approach. They do it slightly differently, with one focusing on outputs by appropriating on an output basis, and the other focusing on outcomes and appropriating on an outcome basis, but there is a very strong underlying programme structure in the estimates—something that is lacking here.

Ronnie Downes: Perhaps, Chair, I might just finish off by mentioning the example of the Irish Parliament, where the OECD last year completed a study of the parliamentary engagement in the budget process. The Irish Parliament has a lot of commonalities and common DNA with the Westminster system, and a lot of similar constraints in terms of the inability of the Parliament to change estimates allocations. We were asked in that case to have a look at a range of options for how the Parliament could enhance its meaningful engagement in the budget process and go against the sense that there was in some quarters that the Parliament was merely rubberstamping the Executive's budget proposals.

We would be happy to go into the details of some of those reforms if you wish, copies of which are in an OECD report, which I think you have a copy of. In essence, the basis of that set of reform proposals was that there should be a stronger continuity of engagement by the Parliament and by its relevant Committees over the course of the budget cycle, including ex-ante discussion about policy priorities, right through to ex-post accountability for budget execution. That is also linked to the point that Joachim mentioned about a clearer identification of performance targets, output and outcome objectives.

Q10 Mr Alan Mak: My colleague asked you about international comparisons between the UK Parliament and the scrutiny process in other countries. What recommendations would you make, either general or specific, which might improve the UK Parliament's procedures? How do you think that would affect things?

Scherie Nicol: I can start off with a couple. From the outset, I would say that there is no magic bullet. There is no one thing that the Parliament could do that would mean that budget oversight overnight became meaningful and impactful. It is important to recognise that there are a number of areas that need to be addressed here. Specifically in terms of process and procedures, the key thing to me is that the main estimates are tabled after the budget year has started. That would limit my own personal incentive to contribute to the process if I was a Member of Parliament. If a significant change was to be implemented, having the main estimates laid in advance of the budget year would change the incentive structure for Members to participate in the process.

Another thing that would have the potential to change the incentive structure would be giving the powers to amend the budget. In particular, I already mentioned how they did that in New Zealand where they give powers to amend the budget but with a Government veto, so that largescale changes could not be implemented. But there are various ways to introduce these types of procedural changes in climates that are more hostile to largescale changes. Those would be my two top changes procedurally to the process.

Ronnie Downes: I might just add a couple also. We recognise in the OECD that there is no one single solution that you can just apply or adopt from one country to another. Any set of proposals needs to take account of country-specific circumstances and traditions and so on, which are so well established here in the UK. Two issues strike me as potentially quite useful in the UK context. One would be having some sort of a pre-budget or ex-ante phase, where the Government asks in a structured way for the views of stakeholders in society, primarily starting from parliamentarians, about what the priorities should be in each of the sectoral areas.

So there would be some sort of pre-budgetary, pre-estimate dialogue that allowed Parliament to fulfil its function of transmitting views from citizens to the Executive, and then the phase can take place where the Executive exercises its prerogative to deliberate upon what the budgetary proposals should be and then table them to Parliament. Then when you reach the scrutiny phase of the budget and the estimates, there is something against which the Executive can be scrutinised—some set of explanations, justifications and trade-offs that Members can usefully use to examine and interrogate members of the Government.

A second proposal that would be useful would be to continue the process of simplification of the estimates documentation, which has happened over recent years, including the clear line of sight reforms, which have done much to make the estimates documents much more comprehensible. I would suggest that we are not quite at the end of that process. If the end of that process is coming up with simple, usable, user-friendly estimates documentation, I suggest there is still some way to go, both in terms of streamlining and simplifying the financial information that is there, and in augmenting it with some carefully selected performance information to show what exactly the Government is trying to achieve, and for which it will be held accountable. Some of the reforms that have been introduced in Scotland and in other nearby jurisdictions would be worthwhile places to start looking at.

Q11 Patrick Grady: You mentioned Scotland a number of times, and Jenny made the point that that Parliament started from scratch. The Scottish budget is contingent on the UK budget, as is true for the other devolved Administrations. One of the reasons we started this inquiry was as a result of the English votes for English laws procedure, where we were told that the way we could deal with the Barnett consequentials would be through the estimates process. However, having gone through at least a little bit of an estimates process over the past year—the supplementary part—the opportunities for that seem to be very limited. I wonder if you have any reflections—you might not, because I appreciate this is a bit left-field and is not directly covered in your written evidence—on the impact that the budgetary process is having on the ability of the Scottish Parliament, the Welsh Assembly and so on to effectively set their own budgets, because a lot of the time they are waiting to find out, very often until the last minute, exactly what their block grant is going to be. More specifically for us here, how on earth might we even begin to start looking at the impact of Barnett consequentials? How could we affect them and scrutinise them more effectively as part of the estimates process?

Scherie Nicol: I would have two key points in relation to that. First, with regard to how the budget process here impacts the budget process in the devolved nations, I would say that, yes, it would be much better if the timing was aligned so that it did not constrain any scrutiny within the devolved nations. In particular, in some years the budget at the UK level is presented quite late, which then truncates the scrutiny period in devolved countries, as was the case this year when the Scottish Government published its draft budget in December, instead of in September, due to the UK spending review. Yes, there is definitely room for alignment of the timing of the budgets to facilitate greater scrutiny.

The second point is that there is probably some room for improvement in terms of the transparency of the Barnett consequentials within the budget documentation. I know at present that the Barnett consequentials are not necessarily published as part of the main budget documentation. Certainly in my experience, they were received from the UK Government to the Scottish Government to the Scottish Parliament, and then we published them online, so there is scope for making that information more transparent within the process if Members here demand it, which they seem to.

Chair: Members demand a lot of things. It does not mean they are going to get them.

Q12 Patrick Grady: As well as the scrutiny and the ability to just understand and see what is being published, what scope do you think there might be if we moved in the direction of the larger part of the pie chart and had the ability to amend, which exists to a certain extent, as you point out, in the Scottish Parliament, to influence the Barnett consequentials? What would be the kind of mechanisms that we could use? I appreciate that that might be a bit of a curveball.

Scherie Nicol: It looks like Joachim wants to intervene.

Dr Wehner: There is one basic fundamental point here. It is a win-win because it is something that is not only about Barnett, but about scrutiny in general. Put the programmes into the appropriations, because the statement of funding policy has to calculate the comparability of English spending with devolved spending on the basis of programme-level information. That is a bit below the aggregate detail in the estimates, and it is certainly not approved on that basis. A large number of other Parliaments, including some in the Westminster tradition, do it that way. That is a precondition for understanding and getting a grip on this very issue. It is, at the same time, also a precondition for getting a grip on public spending in general in the Parliament.

Q13 Patrick Grady: That is where your scope for actual amendment would come in, because it would be far easier to say, "We want to take X hundred million from that and put it into something else."

Dr Wehner: If a revised version of the Standing Orders were to say that Parliaments might be empowered to change the composition of the vote, for example, that would already give you a quite a bit of leeway to think about spending in BIS, for example. There are a lot of programmes that are comparable and a lot that are not. How is the money allocated within this Department and what does that mean for Scotland? At the same time, to make the broader point, I think this really is something that would empower scrutiny much more fundamentally. It would make this process much more visible and it would make the programmes more consequential.

Q14 Nic Dakin: I suppose that, from the Government's point of view, they can crack on with things, can't they, in the current system? They might be anxious about what they would see as more bureaucracy, more hoops and more activity preventing action. I was interested when you said earlier that the approaches elsewhere strengthen the performance of the system, and I think you identified four main areas where we might look to improve our current situation: timing, power to amend, some sort of engagement in the pre-budget process with key partners and stakeholders, and simplification of documentation. Do you have any evidence from elsewhere to demonstrate that any of those, or a combination of those, has delivered better performance?

Dr Wehner: Ronnie and Scherie might want to come in on this, but the quest for performance is really much more of a journey than a destination. I will almost cop out and say I do not think there is hard evidence on this. If you want to support scrutiny of performance, you need information that supports that, and that often has to do with understanding how spending operates at a programme level, for example. This is what the NAO might do if it does a value for money audit, or if you do a programme evaluation or something like that—you would think about it in the context of the programme.

I cannot really say to you that it has been the magic bullet in the countries that have gone down this route. It is very clear to me that if I am someone who is thinking about performance and this is the way I want to engage public spending, I want something that gives me an objective-based spending category that I can think about, with performance information, a financial history and forward estimates attached to it. That gives you the context and the ability to think about whether we are doing the right things, given the objectives that we have. Are we hitting our performance targets or not? These kinds of things only become possible when you structure the information in a certain way. I would be stretched to say there is this one shining example where this has really overhauled performance in Government, but maybe Ronnie can.

Ronnie Downes: Without disagreeing with what Joachim has said, I would add that, while it may be difficult to come up with examples of where a country has unequivocally improved the performance of its public services by doing X, Y or Z, I think the primary task from a parliamentary perspective is at least to enhance the scrutiny of performance and what exactly it is that the Government, the public service or the public administration is delivering. You cannot do that unless you have the structures in place, which we have just been hearing about, that allow that to happen—a programmatic structure, rather than an ad hoc financial listing of line items. A programmatic structure of expenditures includes, in each case, a clear specification of what it is that the Government are trying to achieve and what targets can be used to hold public administration accountable.

Those countries around the world that have embarked on this journey of performance budgeting may have changed course and tacked in one direction or another, but none of them, to my knowledge, have reversed course and said it was a mistake to start looking at the performance aspects of budgeting. The Netherlands, for example, which has been one of the European pioneers in performance budgeting, started out with very high hopes. They introduced a lot of performance data and metrics into their budgetary allocations. Eventually, they determined that there was a bit of information overload going on, so they stripped it back down to a much more pragmatic set of useful indicators that are now, apparently, helping to inform parliamentary decision making.

That kind of more balanced approach—we call it a performance-informed approach—to budget making has also been adapted in countries like Austria and Ireland, where the more traditional appropriation information has, as I say, been streamlined, with some very clear and specific performance information in each case, specifically with a view to informing and enhancing parliamentary accountability. If you build the infrastructure for scrutiny, perhaps there needs to be at least an active faith, to some degree, that better scrutiny will lead to better accountability and better results.

Q15 Patricia Gibson: Can I ask, perhaps unfairly, a very speculative question? Given the expertise that you have demonstrated this afternoon, and your insights and your professionalism in all these matters, can I ask whether you sense a tangible appetite for change in Westminster and in the wider country—in the entire UK—and, given your expertise, how optimistic you are that the UK Parliament can embrace meaningful change in this regard? What is the potential impact for political engagement in the wider sense?

Dr Wehner: I think a lot of reform proposals have been around for a very long time. As you know, Sir Edward Leigh, who is not here, wrote a report making a number of very sensible recommendations a few years ago. A lot of suggestions that we would probably subscribe to collectively have been made a number of times, and the change has been rather slow. I find it hard to judge what the appetite is, so you are much better placed to do that.

It seems to me there is a very real trigger for having that discussion, which is what your colleague highlighted earlier on. This needs to be resolved if the estimates are the vehicles for getting a grip, for example, of the relationship between the central budget and the devolved budgets. That is a trigger for some serious, hard thinking, and I would think some changes are required to make them useable in that way, as well as changes that can strengthen oversight much more broadly. It is a question that I find very difficult to answer otherwise.

Ronnie Downes: I might just add that, although I am not really in a great position to comment on the UK mood, I can comment more generally that there does seem to be a tide, or a certain momentum, in the direction of greater transparency and accountability, driven by a number of factors I have mentioned already, like the move towards open Government. This has been driven, for example, by the G20 forum and by the Open Government Partnership, in both of which the UK is a leading light. A lot of countries around the world, particularly in developing parts of the world who are restructuring and reshaping their budgetary processes, are looking to the UK. They will naturally look to the UK as a source of inspiration for reform, and since there is so much going on in the way of parliamentary reform around the world, I can certainly see some advantages. I tried to outline earlier why it would be a good thing for the Government, as distinct from just the Parliament, to enhance parliamentary engagement in budgeting.

Q16 Patrick Grady: Just on that, and looking again at your graph, you have at the two ends of the spectrum the United Kingdom and the United States, where a really significant length of time is available. I only ask this as a kind of devil's advocate position, because I am all in favour of opening this up, but one of the criticisms about the US system is about the sort of pork barrel politics that you get, where people start fighting over very specific lines of appropriations and funding, and people get projects for their constituency or their own particular area, and it becomes a bit of a patronage system. I am not necessarily asking, "Is there too much of a good thing?", but is there a happy balance in how this kind of process ought to look? Is there any criticism of that kind, again just thinking from the point of view of the Government or other people? Where would we find that happy balance?

Ronnie Downes: I think you are quite right that simply where you are on a particular axis is not a determinant of the effectiveness or soundness, if you want to call it that, of the budgetary process. I think it is a multi-factorial judgment you would need to make. In our latest thinking in the OECD, we have put together these principles of good budgetary governance, which need to be implemented collectively in order to help Governments, Parliaments and citizens have a better quality of budgeting. That includes enhanced, effective parliamentary engagement and it includes transparency, but it also includes a realistic sense of engagement within fiscal constraints, so that there is a clear sense of what the ground rules are for how the public finances are going to evolve.

Just taking one extreme, when the Government brings forward difficult decisions and proposals for how the public finances will be corrected, I guess it is quite easy for people from outside—perhaps in a parliamentary context or an outside context—to criticise what a Government might need to do in those circumstances. It is much more complex to come up with a system where there can be realistic and mature engagement on policy options, while respecting some higher-level parameters that need to be respected. In summary, we need a balanced, multi-factorial approach that balances fiscal discipline and fiscal constraint with a realistic engagement on budget options and trade-offs. These are some of the factors that collectively can lead to the type of budgetary process that citizens can trust.

Q17 Edward Argar: The constitutional precedent that only the Crown can initiate expenditure, which underpins some of this, has, I believe, recently been abandoned in New Zealand. There are two parts to this question. One is, what are your reflections on the effect that has had or the changes it has generated, if any? The second is, with that in mind, what practical, simple changes do you think could be made in the short term, with minimal disruption, that would enhance, even if only to a small degree, the level of parliamentary engagement and scrutiny in the process in the UK?

Scherie Nicol: I can answer that second question first, if you like. I have provided in front of you an example of a page from the estimates document that the Scottish Government produces, relative to a page from the estimates document that the UK Government produces. I promise these were randomly selected. To me, the way in which the information on the main estimates is presented—at the moment, the document is about 682 pages—is very technical and really quite impenetrable. Compare that to the Scottish Government's draft budget, which lists the expenditure items and says what this budget does and what the main changes are. It is really a lot clearer to the average citizen in interpreting this information. I think that improving the way in which the estimates information is presented is really an opportunity for a quick win on behalf of the UK Government, and it would break down a lot of the barriers in terms of parliamentary oversight of the process.

Q18 Chair: You are suggesting that this could be improved on?

Scherie Nicol: Perhaps, yes.

Q19 Chair: You are suggesting that this 652-page document could be improved on?

Scherie Nicol: Yes. I think it could be made more readable.

Q20 Chair: I think it would be helpful if at the next meeting we could take a look at what is produced in Scotland, so we can make a comparison.

Ronnie Downes: I would like to make a quick comment—I know Joachim will have some views also—on this question about the Crown prerogative to initiate expenditure, or the constitutional prerogative. I think there are two ways of handling that in the context of estimates reform. One is to tentatively suggest a modification to it, which is basically what New Zealand and some other Westminster-model Parliaments have adopted, and the other is to work around it while leaving it intact.

In the New Zealand system, and perhaps Joachim may want to expand on this also, there is some tentative ability at the parliamentary stage to make adjustments and reallocations to the estimates without making—I think this is the term—"anything beyond a minor change". If it is beyond a minor change then the Government can veto it. That opens up a space where the Parliament can exercise a role as a participant in the budget process—a modest role as a participant in the budget process—and engage without doing damage or violence to the higher-level priorities about keeping the public finances in order.

The other approach is working around it. This is something that we made some suggestions on in the Irish context, because in Ireland, the constitutional prerogative of the Executive to initiate expenditure is in fact in the written constitution, so there is very little scope to tinker with that without going to a referendum. That was part of the reason why we proposed, in that context, that the Parliament should focus its attention on the pre-budget phase first, so that it could put forward its priorities and perhaps invite the Government to put forward its own priorities, and there could be a public parliamentary discourse on those issues in advance of the budget proposals being locked down. That still respects the subsequent right of the Executive to bring forward its budget proposals.

The second strand of engagement was on the performance aspects of budgeting, which as yet are not a feature particularly of the budget documentation, appropriations documentation and so on in the UK. The proposal in Ireland was that there would be a separate performance dialogue with each of the spending Ministries and it would also allow scope for the Parliament to put forward alternative indicators and metrics of progress and performance, so that that level of accountability could be catered for.

Q21 Chair: You have been very, very helpful. Let us look at a continuum of progress. What does the basic success look like? What is first-base success? That is, it seems to me, improving the way estimates are presented so people can understand them. Can you take us along that journey? How would it look, perhaps over the next few years—hopefully not decades?

Dr Wehner: I think that improving the estimates will be a trigger for further reform, because once you have better programme information in the estimates, historical spending information at the programme level for more than just the past year, and maybe forward estimates like they have in Australia, New Zealand, or Canada—all these other countries—you can then start to focus your scrutiny much more at the programme level and the sub-vote level. In my view, this would probably be an opportunity for Members of Parliament in the Select Committees to reinvigorate their scrutiny process. In my view, it would trigger renewed interest in the process and in the estimates themselves.

All of these other things come from that. If you are talking about amendment powers, for example, they are things that are only really of any value once you start approving the budget or spending clearance below the level of Departments. At the moment, if the Department for Transport gets an appropriation, it can spend it on anything, from highways, to railways, to aviation. Once you start asking for accountability at a programme level, you start having a very different conversation with Departments, and that is when amendment powers and thinking about how they might be redesigned comes in.

The reforms that Ronnie talked about must be used in conversations about the composition of votes. In the UK case, this is beyond what the Parliament controls, because it is more or less a lump sum, with a couple of current capital distinctions in it. Fix the estimates; they will become the basis for a wide range of other things.

The other thing I would suggest as a close second priority is the issue of timing that Scherie talked about and Ronnie reinforced as well. Here we all agree. If you look at Westminster-style systems elsewhere, they have all done this within the basic framework of the Treasury system we have in the UK, having inherited it. In Australia, the budget is tabled almost two months prior to the start of the fiscal year. In New Zealand, it is five to six weeks. That is done without a revolution. It does not destroy the Treasury system; it is something you can do gently within the existing framework. I really think the Treasury should be hugely encouraged to move the presentation of the estimates forward by probably a good couple of months at least. It could be done progressively so it is done in a non-threatening way.

If I had to pick a sequence in the process, I think having amendment powers is a very political debate and there are lots of little details around that. Looking at the New Zealand experience, the Crown financial veto has been used a few dozen times in the process that Ronnie outlined. That is a difficult debate and is more political than saying, "Let's get better spending information. Let's get better estimates. Let's frontload the process more and make sure the estimates are dealt with on time".

I think these would be my two top priorities and that these more constitutional issues are a much more difficult debate. Maybe if Committees re-engaged with the estimates and Members re-engaged, because the estimates are worth engaging with, that is something that would lead to that conversation and people would understand it is something that need not be threatening to the Treasury.

Ronnie Downes: I think, Joachim, if I can come at your question from a complementary perspective, you are asking: how does that spectrum evolve? What is that spectrum, and what are the steps in the near term, and so on? I think the sterling point perhaps is almost a philosophical question: is there an acceptance on the part of Parliament and on the part of the Crown and of the Government that Parliament is and should be a more active contributor to the budget process and to the estimates process? Yes or no?

If the answer to that question is no—if there is not some minimum level of consensus about stronger, more effective parliamentary engagement—then I think any reform proposals are destined to remain on the shelf. If there is a yes, even a tentative yes or a qualified yes, that Parliament should play a stronger, more active and more productive role in the budget process, then that would need to manifest itself in a couple of ways. One of them goes back to a point I made earlier about some sort of a pre-budget phase where the views of Parliament are sought and solicited as inputs to the Government's budgetary formation.

Q22 Chair: Maybe using the existing estimates phase that we do not use to discuss estimates, for example.

Ronnie Downes: For example. If there is a pre-budget phase, it could be accompanied by a second step, which I would say is the point that Scherie and others are making about simplifying the documentation to make it something that is more readily accessible to Parliamentarians. You should not need to be an accountant in order to read the estimates documentation. If there is a pre-budget phase with simplification of the documents so that the messaging is clear, that in turn forms the basis for a more effective scrutiny phase, where more pointed policy-relevant questions can be asked about what the Government is trying to achieve.

That would be a starting point, I would suggest, for moving further along the engagement spectrum, where issues like the performance information of the estimates could be considered, as well as the future years—like forward estimates. The medium-term expenditure outlook could form a basis for discussion about future priorities and medium-term priorities. Then there are issues about amendment, and reallocation and reprioritisation, even within the forward estimates. These are all potentially on the horizon, provided that you are starting on the spectrum that there is a common commitment to move along.

Q23 Chair: Okay. Do colleagues have any more questions? There is a lot for us to think about here. No? Can I thank our witnesses very much for coming before us today? That was hugely informative. Thank you for travelling some distance. This is going to be a fairly substantial piece of work for this Committee, so we may want to get back in touch with you again. Thank you very much.

Ronnie Downes: Thank you very much.

Scherie Nicol: Thank you.

Dr Wehner: Thank you.