HOUSE OF COMMONS

Procedure Committee

Oral evidence: Scrutiny of the Government's Supply Estimates, HC 774

Wednesday 10 May 2016

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- Watch the meeting

Members present: Mr Charles Walker (Chair); Edward Argar; Bob Blackman; Jenny Chapman; Patricia Gibson; Patrick Grady; Sir Edward Leigh; and Mr Nuttall.

Questions 57-94

Witnesses: **Professor David Heald**, Adam Smith Business School, University of Glasgow, gave evidence.

Q57 Chair: Hello, Professor Heald. How are you?

Professor Heald: Fine, thanks.

Chair: Thank you for travelling down to see us. We appreciate it greatly. We will dispense with further pleasantries, because I know you are a busy man. I will just say this: thank you for your evidence. It was concise and extremely interesting. To take some edited highlights, you talk about the "vast information advantage possessed by the Executive"; systematic leaking of information before most official budgetary announcements, which distracts from the process of scrutiny; gaming accounting and fiscal rules for political advantage; "the degeneration of formal Parliamentary financial procedures into mechanical processes that are largely treated as irrelevant"; and a Treasury Committee with an "over-stretched remit" that therefore does not focus solely on issues of taxation and expenditure. Now, can you tell us what you really think? *[Laughter.]*

Professor Heald: That summarises it pretty well. I spent six years as a specialist adviser to the Public Accounts Commission and 21 years as specialist adviser to the Treasury Committee. At other times I have had roles in other Select Committees, so I have been around these issues for about 30 years. There was a period of optimism around the time of the 1995-96 Simplified Estimates, which were sold to the House by the Treasury on the basis that they would actually make Estimates more meaningful. That has not occurred, and the structural points that you just mentioned are, I think, the reasons why.

Q58 Chair: So 20 years ago, there was a spring in your step.

Professor Heald: One of the points I would make is that I am a very strong believer in the Crown initiative. It is for the Crown to demand Supply, and it is for Parliament to grant Supply. In terms of controlling fiscal aggregates, it is very important that that relationship is maintained. If the House does not like what the Government propose, the House has the option to deny Supply. The Government either come back with other proposals or the Government fall.

I think that the whole formulation of this inquiry is actually going for the wrong target. There are some things you can constructively do about the Estimates, but I think the fundamental problem is the lack of dealing with the spending review; because the Estimates are complicated documents. For me, as a specialist, they take quite a lot of digesting. For a busy Member of Parliament, looking at the Estimates for the year that is already well in process, when the decisions were taken at a much earlier point in time, obviously has very few rewards. From my role as a kind of parliamentary observer over all that time, I think most Members of Parliament work extremely hard at their roles but they are pretty hard-headed about not doing things that are not going to be productive.

Q59 Chair: You do state on page 5 of your evidence to us, "As stated above, a strong Finance Ministry is an essential part of a successful system of public financial management. Accordingly, it is vital that the Executive retains control of fiscal aggregates, both for spending and tax."

Professor Heald: Yes, I think there is an intelligent case to be put forward by the Treasury about how it wants the system to run, but excluding Parliament in the way that Parliament is excluded in the UK is actually damaging. It is damaging in terms of meaningful fiscal transparency, and one ought to be aware of the broader trends of loss of public trust in Government and in holders of elected office. So I think there are things that the Treasury ought to worry about themselves. They have absolute control of in-year financial management, which enables them to deliver spending totals whether they are going up, as under the Labour Government, or whether they are coming down, as under the present and previous Governments; and they can deliver the spending totals that Ministers decide, but there is a serious legitimacy issue about a process that so excludes Parliament.

Q60 Chair: You used the word "decayed", so your view is that the processes and procedures for examining the Government's annual spending plans are really not fit for purpose now.

Professor Heald: No, the spending review system is probably one of the best in the world. I have specific objections to the spending review—its totally non-statutory basis is a mistake and there is too much discretion for Governments about when the spending reviews are held—but the issue is actually the lack of parliamentary scrutiny of the spending reviews. Certainly in the 2000s, I was persistently complaining in my evidence to the Treasury Committee that Government conveniently organised the spending review in July, knowing full well that Parliament would go into recess in July. It is quite difficult to get Committees to take interest in October and November in something that was politically live in July. I never thought that was an accident.

Q61 Chair: The view of Ministers is that Parliament is less irritating when it is not sitting. Is that the suggestion you are making there?

Professor Heald: Yes.

Chair: Best to get them out of the way.

Professor Heald: I think there is a philosophical question about what you think the role of Parliament is. If the role of Parliament is just to elect the Government and let the Government get on with it, the present system works extremely well, but if you have a broader sense of wanting democratic legitimacy and fiscal transparency, I do not think that position is adequate. It does not do anything. There is an unhealthy public distrust of Government numbers. The lack of parliamentary engagement in the process is at least one of the contributing factors in that, as is one of the points you quoted me on. I never understood why Government put so much effort into keeping public-private partnerships off balance sheet, because in overall fiscal terms they were never that big, but they created an atmosphere of distrust in Government numbers, and I think that has been extremely damaging.

Q62 Mr Nuttall: You have in some ways hinted at the answer to this already, but it is clear that the Executive has to be able to establish it has the confidence of the House for its legislative programme in the Queen's Speech. It is equally clear that they are dependent on the Commons to agree with their proposals to levy taxation and for the use of that taxation. I think I know what you will say to this, but for the record, is it your view that the Government are taking that constitutional legality formality of the process for granted?

Professor Heald: Yes, but that has been happening for a very long time; there is nothing new in that. Obviously fiscal austerity and the consolidation after 2008 make these things more publicly topical, but there is essentially nothing new in that. As far as I am concerned, the ideal system would be that the Government propose a spending review, Parliament seriously discusses the spending review, which covers, say, three or four years, and then when you get to the year, the Estimates are largely formal, because the debate has already been had; Parliament's influence is exercised by its interacting with the Government on the spending review.

One of the reasons the Treasury will not like that suggestion is it would create an immense amount of work for them. The present system is extremely administratively efficient. It concentrates control of spending within the Treasury and you can run the Treasury on a limited number of staff. If the Treasury and the Departments had to have that kind of engagement with Parliament on the spending review, it would be much more time consuming—it would take longer—it would be more difficult for them and they would not always get their way, but as I said before, I think it would generate more legitimacy in the outcomes.

Q63 Mr Nuttall: In terms of the Government's financial accountability to Parliament, the implication is essentially that they have been riding roughshod over the Commons.

Professor Heald: I think the Commons has been lying down.

Q64 Mr Nuttall: On a slightly separate matter, this country—again, I think you did accept this in your opening remarks—has had a strong tradition of quality in scrutinising expenditure after the event through the National Audit Office, the Public Accounts Committee and the accountability of the departmental accounting officers. Do you feel that those strengths compensate in any way for the weakness or lack of scrutiny and examination of the spending of money before it has actually happened? In other words, do we put too much emphasis on looking at it after the event rather than concentrating a bit more on whether it will be spent in the right place, before it has happened?

Professor Heald: I am a very strong supporter of the accounting officer system—that is a very strong feature of the British system and a very important aspect—but some people imply that that having the NAO and the Public Accounts Committee doing things ex-post is actually a substitute for scrutiny. If there was no concern about the quality of public projects and the quality of public spending I might be more willing to buy that argument, but look at the way in which some people get hung out to dry at the Public Accounts Committee. When the media are interested in Public Accounts Committee reports or hearings is when there is some disaster or blunder. If there were no disasters or blunders, I might be happier to accept the fact that this ex-post control was substituting for ex-ante control, but even still there would be the question of the democratic legitimisation of what the Government are doing.

Q65 Sir Edward Leigh: You propose a spending and tax Committee to examine Government taxation and spending plans in detail. I have also talked about this in the past; I called it a budget Committee, but I imagine it is the same thing. You might amplify on that—tell us a bit more about this Committee and the impact it would have on the spending review. It would presumably be a Select Committee of the House. Just explain it and the impact it would have a bit.

Professor Heald: I am not firmly committed to a particular way of doing this or what you call it, but my view is that although the Treasury Committee does very good work, it has a massive remit and it has not ever tackled spending reviews in the way that I think they should be done. The range of Treasury Committee responsibilities, particularly since 2008, means it can keep incredibly busy on the monetary–macro side. You get the benefit from scrutiny on Estimates, Budgets and spending reviews by doing it consistently. Stephen Laws, when he gave evidence to this Committee I think a fortnight ago, made the point that you do not need to look at all the Estimates all the time or all the spending review programmes all the time; a degree of randomness in which is done is going to be beneficial in making people a little bit worried that they might be the people chosen in a particular spending review or Estimates round.

Q66 Sir Edward Leigh: That is precisely what the Public Accounts Committee does. The Comptroller and Auditor General selects some scandal or something and he directs the attention of the Committee to it.

Would the new Committee have any more powers than any other Select Committee—that is, to call evidence and make reports, like this Committee does? How do you envisage it operating? Would it be like the Public Accounts Committee? Would it just have the power to embarrass people or would it have the power to bring stuff to the Floor of the House?

Professor Heald: I do not think it is a question of embarrassing people. Basically, it would be discussing: the Government would present the spending review, or it might be a draft spending review, and the budget Committee or whatever you called it would co-ordinate work by departmental Select Committees. Ultimately, whether the Government think what the Committees have done is constructive or not is a decision for the Government, but it would create an opportunity for serious engagement in advance of the spending decisions. One now has spending plans in place until 2019-20, so we largely know what the spending—

Q67 Sir Edward Leigh: So it could just spread its work over the year.

Professor Heald: Yes.

Sir Edward Leigh: Alright.

Professor Heald: But my earlier point was that to get Members interested—I am on the Members' side on this point—the parliamentary intervention has to be somewhere near the decision point. There is no point spending a lot of time trying to deal with complex matters—these are inevitably complex matters—after the event. There has to be a sense that if Parliament produces a good argument, the Government could at least do something about it if it wanted to.

Q68 Sir Edward Leigh: I agree. What resources might it need to be effective?

Professor Heald: That is not something that I profess to have a great deal of knowledge about, but if it was using the resources of the departmental Select Committees, co-ordinating with the departmental Select Committees, and there was a serious effort at improving the documentation throughout the matter—one has to look at the whole cycle. The cycle starts with the spending review, then the Estimates, then the accounts, then the audits and then the Public Accounts Committee hearings. If you can get engagement across the cycle, you can, hopefully, improve over a substantial period of time.

I was looking before this appearance at the 2016-17 Main Estimates, and I particularly looked at the Ministry of Justice—not a Department I knew anything about, but it seemed quite an interesting one to take. For someone who is not knowledgeable about the way the system works, the Estimates are completely inaccessible. The memorandum that the Ministry of Justice sends is quite helpful, but that is a thing that belatedly goes into the public domain. So it would be possible—I am not talking about massive extra resources, if that was the point of your question.

Q69 Sir Edward Leigh: No, that's fine. One reason why the Public Accounts Committee is so effective is that it has an officer of the House—the Comptroller and Auditor General, who has the National Audit Office behind him. Do you think you could increase the effectiveness of this Committee by having a similar officer—an officer of budget accountability or whatever you want to call him—who would be independent, would report to the Committee and would have a staff or be attached to the National Audit Office? In other words, it would be properly resourced. As you say, these matters are very complex, and most Select Committees only have a Clerk, who obviously works incredibly hard and does his best, and a couple of advisers. I remember that from our Public Accounts Commission. Do you think, in that sense, that we should look at extra resources?

Professor Heald: I know you have had proposals for parliamentary budget offices. I have not come to a decision on that. My inclination would be to set up a budget Committee and strengthen the resources available to the departmental Committees.

Q70 Sir Edward Leigh: Okay. This Committee meets. It takes evidence. It discovers what is going wrong.

Professor Heald: It is not really discovering what is going wrong, because it is at the planning stage. The Government is putting forward its spending review priorities for four years and Parliament is engaging with those spending priorities.

Q71 Sir Edward Leigh: That is important. It is not what is going wrong; it is the priorities you are interested in.

Professor Heald: There might be expectations of what will go wrong. That might well influence the debate, but essentially it is about the future.

Q72 Sir Edward Leigh: Would this Committee then make recommendations to the House? Would it have control over the Estimates days? How would it work in terms of the wider House of Commons? We were discussing earlier that apparently there was a Committee of Supply, which was a Committee of the whole House, in 1911. A Clerk reported on it at the time.

Professor Heald: Your knowledge of these matters vastly exceeds mine. The one point I would make is that, to quote you back at yourself, there used to be 23 Supply days, which were used for Estimates matters. Now there are three Estimates days that are not necessarily used for Estimates matters. So it is not really a question of how many days; it is a question of Parliament and Membersfeeling that they are part of a constructive process.

Q73 Edward Argar: Your final comment, Professor, goes to the heart of why this inquiry is happening, which is the recognition that we have Estimates days but that one colleague—Sir Edward will know better than I do—was called out of order for attempting to discuss the detail of the Estimates on an Estimates day. You are absolutely right to highlight that.

In your memorandum, I think on page 5, you talk about the timing of when the chunky document and the actual Estimates come before us, which is some time after the start of the financial year to which they apply, rather than either at the same time or in advance of it. Building on Sir Edward's point on the timing and the idea of a draft budget or draft Estimates so that Parliament, be it through a Committee or through the whole House on an Estimates day, can engage with the detail of those Estimates, what impact do you think such a change would have on the effectiveness of Parliament's engagement with and scrutiny of those Estimates and the figures underlying an annual Budget?

Professor Heald: It is easier to envisage that Parliament would take an interest in how the money is going to be spent next year when the money has not already been committed finally. There is also a reputational point. The United Kingdom is very good in public financial management at the general level. I have been a very strong supporter of accruals accounting in Government, accruals budgeting, of whole of Government accounts, but this is one part where the UK is an outlier. I think the UK can make moves to make itself not such an outlier without disturbing the basic infrastructure.

One of the things that came out from the OECD evidence was talk about radical reform. I frankly do not think radical reform is going to happen. One may get a degree of incremental reform and the Treasury might be embarrassed internationally. It plays a very important role at the OECD and the International Monetary Fund, and given the fact that the UK is so out of line, one might be able to embarrass the Treasury a little bit to fall into line. It is really indefensible. It is just historical tradition; that is the way it is done. In my view, there is no reason to do it. We now know from the spending review documents what the Government's figures are going to be for 2017-18, so the idea that there would be great difficulty in pulling it forward I find implausible.

Q74 Edward Argar: In that context, we heard evidence that you may be familiar with from Sir Stephen and a fellow academic about the fact that in many ways the UK is deemed to be a bit of an outlier in how this operates and about how some other Commonwealth countries—I think New Zealand was cited—have addressed this point, particularly within the context of the point you raised about the Crown prerogative to demand expenditure and Parliament's ability to approve and interrogate that. New Zealand has gone down a particular route. Do you think that by bringing draft Estimates, for want of a better way of putting it, forward in advance at the same time to gain that interest from Parliament, we might be able to find a way to retain the Crown prerogative in financial matters, as you alluded to, but actually still increase Parliament's ability to interrogate and ultimately approve that expenditure and thereby address the problem of a perceived lack of parliamentary engagement and oversight compared with some of our direct equivalents around the world?

> ***Professor Heald:*** I see no difficulty, if there were the will, in bringing the Estimates forward to, say, February. There are then two questions. I take an absolutist view about the Crown initiative in terms of totals. If you do not like the Government's totals, you should vote the Government out. There is then the question of whether Parliament has any role in proposing a substitution of expenditure so it does not actually affect the fiscal aggregates. I was a member of the Financial Issues Advisory Group, which devised the financial procedures for the Scottish Parliament, and that is the way in which that body went, but obviously it was a green field. The question of movement of timing is easy. The idea of substitution will be much more controversial in the Treasury. One of the points that the Treasury would certainly bring up is the concern about pork barrel.

Q75 Edward Argar: I think you are right to highlight that. To draw upon the US example, which is probably at the other end of the spectrum in terms of the ability to change and amend budgets, there is always that risk that it comes down to pork barrel politics and the deal that can be done on a particular line item.

This is the final point from me. You touched on it in terms of Scotland, and after this colleagues from the SNP may well want to come in. We looked at the document that the Scottish Parliament looks at when it comes to Estimates. I appreciate the context is less complex because of the nature of the UK Parliament's accounting, Budgets, taxation and so on—what happens in Scotland is technically, to a degree, simpler—but do you think there are lessons we could arguably learn from the practice in the Scottish Parliament in terms of the presentation of the Estimates and the financial information?

> ***Professor Heald:*** I have already hinted at that. One of the reasons the Scottish draft Budget attracts attention in the Scottish Parliament is that it is at the point of decision; it is when decisions are being made. When there was a minority Government, between 2007 and 2011, there was particular focus because the Government had to persuade the Parliament to vote for the Budget. The Scottish Parliament is a very expenditure-focused body—expenditure is very much at the heart of its existence. As a new creation that had to deal with implementing the devolution settlement of 1998, it was much easier to establish that kind of system.
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> I mentioned the Ministry of Justice. Before I came here, I downloaded the justice section of the Scottish draft Budget, which makes a very serious effort to engage, in contrast with the Ministry of Justice Estimate here. There is scope for Westminster to discuss with the Government exactly what it wants in terms of presentations and presentation documents. I am sure that from many Commonwealth countries and Scotland, there is much to be learned.

Q76 Sir Edward Leigh: We are going on about parliamentary involvement. We got spending review allocations—that is the Government's proposals for spending over the time. Are you suggesting that those spending reviews or bits of them should be subject to formal approval by Parliament as a whole?

> ***Professor Heald:*** I was always astonished that that did not happen. I would have expected that when the Government put forward its spending review, it would go to a vote of the House.

Q77 Sir Edward Leigh: Or bits of it.

> ***Professor Heald:*** Yes.

Q78 Sir Edward Leigh: I think your idea is quite valuable, because you are disaggregating the Estimates and the spending review. People get quite confused. We are now, hopefully, with the help of your evidence, making progress on the spending review. How does that leave the annual Estimates procedures? Parliament is looking much more closely at spending reviews; it is perhaps voting on them and considering all variables with the help of a Committee. Where does that leave the Estimates, and how is it separated? I am still a bit confused. This is quite complex.

Professor Heald: If one had serious attention to the spending review—we now have four years—I would be quite happy with a fairly formal process for the actual Estimates. The problem we have is that we do not have a process at all for the spending review, and then we have a formal process for the Estimates. If there was a proper engagement of Parliament with the spending review when you have the four-year figures, the point at which Parliament could make suggestions and the Government could address those suggestions would be at the spending review and before the later years of the spending review arrive.

Sir Edward Leigh: Thank you. That is very clear.

Q79 Patricia Gibson: I think you have answered the question I was going to ask, which was about what we can learn from the Scottish Parliament. You outlined that it is about the point of decision when scrutiny takes place and the serious attempt to engage. Is there anything you want to add about what we can learn from the devolved Parliaments about approving expenditure plans?

Professor Heald: I think I have made the points I want to make.

Chair: I'm sorry about that, Patricia. We will come back to you.

Q80 Jenny Chapman: I am impressed that Patricia did not just ask the question anyway.

Professor Heald, you said earlier that you expect there would need to be a degree of incremental reform. I think you are probably right about that. What might a first increment be? Is there any way we can begin the process of improvement?

Professor Heald: The quick one is to persuade the Treasury to take the Estimates back into February, so that you have the Estimates procedure before the year starts. There then needs to be a serious engagement about the presentation. As I said, I was and I remain a strong supporter of the Treasury's accruals accounting and accruals budgeting framework. I do not think there is anything wrong with the way the Treasury gets the numbers. I think there is a problem with the intelligibility of the presentation; that is the problem. The reason why the Estimates documentation is so unintelligible is that it is irrelevant. Nobody is going to put much effort into it, first, because it is not the point of decision, and secondly, you need an enormous amount of knowledge to understand what the numbers mean.

Q81 Jenny Chapman: We were shown an example from Scotland of how they presented the information. It did seem to be much clearer. I think most of us could get our heads around some of it.

> ***Professor Heald:*** One point I forgot to make is that one of the issues that the Financial Issues Advisory Group had to discuss in 1998 was whether Scotland was going to align itself with resource accounting and budgeting, which was scheduled to come in in the UK Parliament. Because of the interactions between the UK Government and the devolved Administrations, the view was taken that it would follow the system. The Scottish Parliament, the Welsh Assembly and the Northern Ireland Assembly actually follow exactly the same accounting rules; what is fundamentally different is the way the presentation is done and the attempt to engage.

Q82 Jenny Chapman: So timing and presentation, initially, would be at least a step in the right direction.

> ***Professor Heald:*** Yes. The other point is to realise that you could spend the next four years running around after Estimates reform and get nowhere, whereas the proper target is the spending review. You don't need to wait until the next spending review, because we already have the numbers for future years.

Q83 Bob Blackman: On the practical measures that the Committee might look at in our recommendations: the Government came forward on 20 April with 658 pages and a cash requirement of £482 billion. What changes would you like to see in that documentation to make it meaningful for parliamentarians to scrutinise the whole process?

> ***Professor Heald:*** That is a difficult question, because for parliamentarians to scrutinise the process, Parliament has to put a lot of work into understanding the technical content of those documents. Supply Estimates used to be published as separate booklets—I am old enough to quite like hard copy. I mentioned a few minutes ago that I thought the Ministry of Justice Estimates were completely inaccessible but I found that its memorandum on the Estimates was quite helpful. An Estimates booklet for the Ministry of Justice that tried to do the kind of things the devolved Administrations have done in terms of intelligibility would be a good approach.

Q84 Bob Blackman: I have sat on the CLG Select Committee for five and a half years. We get an annual review both of the CLG's expenditure and of its Estimates, and it is gobbledegook. You cannot get into the nitty-gritty of how the money is spent and what it is spent on. That is for one Government Department. We have this disconnect between the overall sum of money the Government are going to spend and what Departments choose to spend it on, which is obviously within their spending plans. There does not seem to be a tie-up between any of that. Do you see any way of trying to breaking through this logjam?

> ***Professor Heald:*** I do not think the tie-up is as difficult as you say. I think you happen to be on a Committee that shadows a particularly complex Department, because of its relationships to local government. Look at the Ministry of Justice—there is nothing that complex about—

Bob Blackman: But in your evidence you are saying that—

> ***Professor Heald:*** No, there's nothing complex—

Q85 Bob Blackman: It's not complex, but even so, an average individual with a lot of intelligence and a lot of background cannot make head nor tail of what the figures actually show.

> ***Professor Heald:*** If you look at the individual Estimates now, there is just not sufficient explanation in the Estimates document of what it is about. As I say, that is what the Scottish Government document tries to do: to tell Members what it is about. The technical side is that people have to understand about DEL and AME, appropriations in aid, consolidated fund extra receipts, controls on cash and what virement powers the Treasury has—you require a degree of technical understanding of all that. What I am saying is that the Treasury has put big efforts into trying to align from the Budget, from the spending review, to the Estimates for the accounts, and the UK is probably better aligned than most other countries. If one is better, it might be New Zealand.

Q86 Bob Blackman: I think we all agree that this is an extremely complex set of documents and process and very difficult for people to understand. What suggestions can you make to us about how that complexity could be made rather more straightforward so that MPs on both sides—Government and Opposition—could get into the nitty-gritty and scrutinise this process in a better way?

> ***Professor Heald:*** Some of it goes back to presentation. Imaginative infographics can help. Good, brief explanations of the technical terminology would be helpful as well. The crucial point where I think that you could make quick improvements is presentation. I would not try to do it across the board. I would try to find a couple of friendly Departments that were wanting to engage with their Select Committees and, without altering anything in the common information that the Treasury wants, try to make

the things much more accessible. I think 682-page documents are ridiculous—they also exhaust my printer.

Q87 Bob Blackman: At the moment, Estimates are presented year by year, as you rightly said, in terms of departmental expenditure and so on. Do you envisage a different method of presentation, particularly for long-term programmes? We have talked about Trident, HS2, Crossrail and Government IT projects. There are various projects spanning a series of years that could be presented by saying, "Here's the programme for this particular long-term programme. This is how the money is going to be spent over a series of years." MPs could then examine those long-term programmes and say, "Are we getting value for money? Could this be done in a different way?" They could challenge how the expenditure was set. Other witnesses have suggested that might be a way forward. What is your view?

Professor Heald: The Estimates are not the vehicle for that. The Estimates are authorising expenditure for one year. That is constitutionally fundamental to the UK and constitutionally fundamental to many other countries. The kind of information you want on projects is the kind of thing you ought to be getting in supplementary documents. I totally take your point that some programmes have costs and benefits that run over very many years and one needs to look forward. At a technical level, the Office for Budget Responsibility does the fiscal sustainability reports, which are forward projections, but that is at a macro level. Certainly Parliament could be asking for better documentation on the Government's future commitments.

Q88 Sir Edward Leigh: May I ask a supplementary question to that one? The Public Accounts Committee once did a report on the procurement of the aircraft carriers. At one stage the Brown Government delayed that for a year as some sort of saving measure, but although we delayed it for a year to save money that year, that actually cost us £600 million. That was a report we did three or four years later. Do you think that as part of the process we are trying to create here, part of the spending review, that sort of thing could be highlighted and we could have documentation in front of Parliament that would make clear what was happening, as Bob was saying, on particular programmes—HS2, Trident, carrier procurement or whatever?

Professor Heald: Yes. In the Transport area and the Defence area, I would expect those Select Committees to be asking exactly the kind of questions you are asking now.

Q89 Patricia Gibson: Ministers have insisted that every MP will, in the course of the Estimates process, approve departmental spending in the Estimates, including levels of funding for the devolved Administrations reflecting the Barnett consequentials, and that all MPs will be able to vote on the legislation, on these decisions. Is it your view that MPs can effectively scrutinise the Barnett allocations through the Estimates process?

Professor Heald: No. The Estimates are completely irrelevant. I found the change to Standing Orders quite puzzling. I can understand why you have raised the issue, because tactically it is a point of vulnerability of the system about how you deal with the funding of devolved Administrations. I have been trying for 20 years to get information out of the Treasury about comparable expenditure in England that feeds expenditure in Scotland, Wales and Northern Ireland. It is not the same in each country because of different devolution settlements. The Treasury always pretends not to understand my question. It is only relatively recently that the Scottish Parliament has started publishing the formula consequentials from successive fiscal events. The information in the public domain is wholly unsatisfactory, and I have made a very good academic living out of writing papers about this for the last 25 or 30 years. It is not really an Estimates matter, though.

If I may invent an example, say that all English schools are converted into academies. The Government then come along and give academies the right to charge school fees, which would have a negative effect on education expenditure in England and negative Barnett consequentials for Scotland, Wales and Northern Ireland. The right to vote on Estimates is completely irrelevant in that context because of the Crown initiative. You could not put the budget Estimate up. As a way of opening up the issue, I understand the point, but at the time of spending reviews and other fiscal events, we need proper documentation on the funding of the devolved Administrations.

Q90 Patrick Grady: Thank you, Professor. I should say, as the MP for the University of Glasgow, that I am particularly pleased to have you giving evidence. What you just said—that the Estimates process is irrelevant to the Barnett formula—is very interesting, because one of the reasons we are having this inquiry is because the Leader of the House sat where you are and told us that that was how we would continue to have our say over precisely the kind of consequences that you have just outlined, where policies now subject to English votes for English laws legislation have a consequence for Scottish expenditure. His view was that the Estimates process was the way in which our voice as Members of Parliament would continue to be heard.

It would be interesting to hear whether you have any reflection on how the process could have some kind of impact on the Barnett formula, or at the very least expand a little on what you were saying there about the disclosure of the information and the basis on which the Government make their calculations about the allocation of expenditure that is then subject to the Barnett formula. Is there any reason why the Government should not be disclosing those calculations? What might the consequences be for Parliament if such calculations were formally disclosed?

> ***Professor Heald:*** I have been trying to get these in the public domain for a long time, including some through freedom of information requests. I published an article in *Regional Studies* in 2005 on how the Scottish block had evolved because of Barnett consequentials. Freedom of information requests are not a substitute for proper disclosure by the Executive. There was perhaps a time when the Labour Government were not terribly keen on publication, because they thought it would attract too much attention. There may have been rather mixed motives about not publishing, but I think it has reached a point beyond where one can defend the lack of transparency in how the system operates.
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> I do not see how you resolve the issue I raised about the negative funding consequences of school fees in academy schools. I do not see how you can deal with that problem at all, but what we ought to be getting is proper transparency about the numbers, and that has to be at the time. Also, the Treasury should not have exclusive control over when it publishes the funding policy statement. I thought at one point it was going to be published every year. I was then told it would be published at the spending review, and then there were spending reviews when there wasn't a funding policy statement update. It is very important that Parliament gets a grip on that. As I said, it is not an Estimates matter, but given the change to Standing Orders, I can understand why you have raised it here.

Q91 Patrick Grady: We have spoken about the Scottish Parliament budgetary process, and in some of your written evidence you spoke about the impact that the timing of the budgetary and Estimates process and the spending review here has on the ability of the Scottish Government to set its budget and the parliamentary timetable in Edinburgh, and the increasing complexity that the powers that are being devolved to the Scottish Parliament are going to bring to that. Could you reflect on that a little? Do you see any solution or ways in which, while we are improving the Estimates process from our own point of view or trying to bring forward recommendations that could improve our own scrutiny of the Estimates process, there could be a beneficial effect on the ability of the devolved Assemblies to set their budget and scrutiny processes?

> ***Professor Heald:*** We are now entering much more difficult territory. I think that Parliament ought to be holding the Government to account for the manipulative leaks that precede every Budget statement. Also, I know there were specific circumstances but having four fiscal events within 12 months, from March 2015 to March 2016, was getting rather out of hand. My personal preference—as I said, this is getting into more difficult territory—would be to bring the UK Budget forward to November, because I think that would make it much easier to synchronise the timetables for the devolved Administrations. Obviously, on the tax side, you would have to be very careful about forestalling of future tax changes, but I would like to see the whole Budget process finished before the financial year starts.

Q92 Chair: Which takes us to page 4 of your evidence, paragraphs a, b and c, which state: "A Draft Budget should be published in the Autumn, with procedures put in place to limit forestalling of proposed tax changes, with the Estimates being presented in sufficient time to allow an Appropriation Act to be enacted before the start of the financial year on 1 April… Parliament should insist that Budget and Spending Review secrecy are maintained until announcements are made in the House of Commons… Parliament should establish a Spending and Tax Committee, alongside the Treasury Committee". So those would be your three key quick-win recommendations—you think that those three things, if implemented, would improve the situation dramatically.

> ***Professor Heald:*** I think they would help significantly, but I think that there would be more Treasury resistance to moving the Budget than there might be to having the Estimates before the beginning of the financial year.

Q93 Patrick Grady: You suggest it should be possible to do better in terms of democratic legitimisation of Government expenditure. I think we are hoping, in a few weeks, towards the end of the evidence, to have the Chief Secretary to the Treasury in front of us. What can we say to convince him that it is in his interests and the Treasury's interests to improve parliamentary scrutiny of the Estimates?

> ***Professor Heald:*** I have already made one of the points, which is that the UK being so out of line must be getting a little bit embarrassing in the context of the OECD and IMF, where the UK is

a major player. The question is how one can justify being so out of line on the matter. The whole point is that the UK is very influential internationally. What the UK does has influence over other countries: bad UK practice is probably more influential than good UK practice, but I still want to go for the good practice.

I think there is a more troublesome point about the loss of trust in Government and the loss of trust in elected representatives. One sees that particularly in Europe in the development of populist parties; one sees it in many cases in falling electoral turnout. There is public disengagement from politics and public life. The other point is that the Government must set a good example: the Government itself should not game the system. If the Government games the system, that encourages other people to game the system. The obvious example is public-private partnerships: people on the ground know that quite often that is the only show in town, and that does not encourage good project appraisal. The UK has a responsibility, both to itself and internationally, to show good practice.

Q94 Chair: Professor Heald, you have a living to earn, as you pointed out earlier in your evidence session, and you have earned that living for the past 25 years developing your expertise in this area. Could I ask you an enormous favour on behalf of the Committee? We are going to see the Chief Secretary within the next five or six weeks. Could you put together about two sides of A4 on the questions you think we should be asking him? We can't pay you to do that and you have to earn a living, I know that, but would you do that for our Committee?

Professor Heald: Yes, certainly.

Chair: Thank you. You have been incredibly helpful today, and you have taken a lot of time out to travel down here and educate us on where the horror stories lie within Estimates and the Budget. Thank you so much for all the trouble you have taken preparing and submitting the evidence and being so generous with your time today.