

Treasury Committee

Oral evidence: [HMT's Annual Report and Accounts 2015-2016](#), HC 753

Wednesday 12 October 2016

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Members present: Mr Andrew Tyrie (Chair); Mr Steve Baker; Rachel Reeves; Chris Philp; George Kerevan; John Mann.

Questions 1-86

Witnesses

I: Tom Scholar, Permanent Secretary, HM Treasury; Sophie Dean, Finance Director, HM Treasury.

Examination of Witnesses

Tom Scholar, Permanent Secretary, HM Treasury; Sophie Dean, Finance Director, HM Treasury.

Q1 **Chair:** Thank you very much for coming to see us this afternoon. Is it your first time before the Treasury Committee?

Tom Scholar: It is not my first time.

Chair: It is not quite your first time. Is it your first time in this capacity?

Tom Scholar: Yes.

Q2 **Chair:** You have a very difficult job, but it crosses my mind that it is a good deal easier than the job you had in 2008 and 2009. Were you the man on point, sleeping on the sofa, dealing with this financial crisis?

Tom Scholar: That is exactly right, from January 2008 onwards.

Chair: You were really in the hot seat, right at the heart of it. I have given you a moment's notice about what I was going to start the meeting with, and I have already had a preliminary view of your likely response. However, we need to have it on the record. I want to raise the issue of OBR independence with you, and the fact that it transpired that in the run-up to the 2014 Autumn Statement, email traffic from an official



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probably overstepped the mark in its efforts to try to influence what the OBR would produce in their final report as part of the forecast. A memorandum of understanding has been produced in response to a request from this Committee. That is to make sure that this sort of thing does not happen again, and that there is no undue influence. Perhaps you would like to state the extent to which you are allowed to speak on this issue, and how you think this sort of issue should be handled.

Tom Scholar: Certainly. Thank you very much for letting me know you were going to raise this issue. Let me say straight out that it is not an issue that I am familiar with. At the time of the 2014 Autumn Statement I was obviously in my previous job, and completely occupied with that. I am therefore not familiar with the events from that time, and it has not been raised with me. In the time I have been back at the Treasury, you are the first person to raise the issue.

Having said that, the independence of the OBR is something that I and the Treasury take very seriously. We see it as a very important part of our policy-making framework. I know that I speak for all of my senior colleagues when I say that we are determined to respect that independence. I was not aware that this had happened, but I will now make it my business to find out more about it. I will discuss it with my Treasury colleagues and also with Robert Chote, to hear his views on the matter. The whole purpose of the OBR is to be completely independent, and if there is any doubt about its independence, we lose an important part of its value.

Q3 **Chair:** I do not want to prolong this and tell you what he said in evidence, but Robert Chote basically told us, in response to this concern, that there might have been a concern but that he had ignored the pressure, which as a Committee we accepted. This is the sort of thing that can grow from year to year, once it starts, and so we felt we had to demonstrate the need to nip it in the bud.

I would be very grateful if you could take a look at the memorandum of understanding in the light of our recommendations. We will almost certainly be taking this further forward. The most important thing in this area is to make sure that any official's advice given to the OBR on how this might be altered is limited to requests of factual nature, and that there should be no political input of any type.

I would also be grateful if you could tell me what, if any, action was taken with respect to the junior official in this case. We are not seeking the name but only more detailed information. We will leave it there for now. I am a little surprised and disappointed that you have not been briefed. The Treasury has all these high-powered officials. You had better get back there and find out how this vast brief, which I am sure they sent to you last night, succeeded in excluding this issue. It is bound to have been a significant issue for this Committee.

Tom Scholar: I will make it my business to find out, and look into both the MoU and the question of what action was taken.



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Q4 **Mr Baker:** Good afternoon. The front page of the *Daily Telegraph* today has a story on Brexit today, which concludes, "A senior Treasury official yesterday attacked Dr Fox". They quote, "Liam is the one who needs to watch his back. Of him and Philip Hammond, I know which is the more sackable, and it's not the Chancellor". Did you say that, Mr Scholar?

Tom Scholar: No.

Q5 **Mr Baker:** Ms Dean, did you say that?

Sophie Dean: No, I did not.

Q6 **Mr Baker:** Do you know who did say it?

Tom Scholar: No.

Q7 **Mr Baker:** Would it be acceptable for a senior Treasury official to say such a thing?

Tom Scholar: No, it would not be acceptable. When I saw that story, I have to say that I was extremely surprised. In my experience, Treasury officials do not have contact with political journalists or editors. I find it very hard to believe that a serving Treasury official would have used the words ascribed to them there. I am quite clear that it would not be acceptable if anyone did.

Q8 **Mr Baker:** What would be the consequences for an official if they had attacked a member of the Cabinet?

Tom Scholar: We would take disciplinary action.

Q9 **Mr Baker:** Could you be clear, for the record, where that disciplinary action would be likely to lead? Would they be sacked?

Tom Scholar: I do not know what the sanction would be, but it is a matter that we would take extremely seriously. We would take immediate disciplinary action.

Q10 **Mr Baker:** To check that I have properly understood, it is the case that officials ought not to be a part of the political process; they ought not to be commenting in the press, attacking members of the cabinet, and in particular commenting on whether or not they should continue to hold their position.

Tom Scholar: That is certainly the case. I would go even further than that: we have a rule in the Treasury that contact between officials and the press takes place through the press office. If any official is approached by a journalist for a conversation or a comment, they are supposed to refer that to the press office. It is not just that officials should not intervene publicly in the political process; it is also that relations between the Treasury and the press should be conducted through the press office.

Q11 **Mr Baker:** Do you think it is possible that a special adviser has been mistakenly reported as a senior official by the *Telegraph*?



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Tom Scholar: I cannot comment on who the source was or how the *Telegraph* describe their sources. That may have sometimes happened in the past, but I cannot say whether that is the case this time. Again, I would be extremely surprised if any of our special advisers was the source of this comment.

Q12 **Mr Baker:** What steps will you be taking to find out who said this, or, in any event, to prevent it from happening again?

Tom Scholar: I do not think that we are ever going to find out who said those words. However, I will certainly be talking to my senior colleagues to remind them of the conventions that we have and the importance of following them.

Q13 **Mr Baker:** Thank you very much. You now have this fantastic, important job in Government. What is your plan for the next few years?

Tom Scholar: I will deal with that in two halves, first of all on policy questions, and, secondly, on questions around the Department. The policy agenda will of course be set for us by Ministers and by events. Our overarching priority for the years ahead is to support the Government in making a success of the UK's exit from the European Union. That is a process that is likely to take some years, and the Treasury will be heavily involved in that. That is our top priority.

Alongside that, we will need to be very vigilant as to the development of the economy, and, in the light of that, as the Chancellor said last week, setting a new fiscal direction and framework for tax and spending decisions. Beyond that, we still have ongoing business in normalising the banking and financial sector. We still have quite large holdings of financial assets that we acquired during the crisis. We will need to get those off our balance sheet and return them to the private sector. The other issue, as was highlighted by the Chancellor, is the need to look at the supply-side productivity of the economy. The Prime Minister has set an objective for a new industrial strategy. We do not lead that, but we play an important part in that, and questions of infrastructure spending and so on come under that heading.

When I look at the Department, it is in very good shape. It produces quality work across a full range of issues. Our results in the annual People Survey are pretty encouraging. We are right up at the top, and that reflects the hard work that others—not me, because I have not been here—have been putting in over the last few years. I would like to maintain those strengths and, if possible, improve on them. We have an important agenda in tackling the diversity of the Department. At senior levels there has been quite good progress in recent years, but there is still more to do. We are also looking at issues such as the socioeconomic diversity of our workforce. This is a Civil Service-wide thing, but also something we are very keen to look at.

Q14 **Mr Baker:** I am conscious that we may stray into all of my colleagues' questions if we were to continue that line. I want to pick up on one point



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you made about the quality of the Treasury's output. In the course of the referendum campaign, the Treasury notoriously—I think I can get away with saying that—produced a number of pieces of output. One of those seems to have just resurfaced into the public domain. Are you concerned that the Treasury's output did not adequately take into account the potential upsides of leaving the European Union? With that in mind, do you think it is also possible that the Treasury has been excessively used in order to participate in that particular political campaign?

Tom Scholar: The analysis that the Treasury produced at that time looked at three stylised alternatives to EU membership, based on existing models that can be observed as applying to other countries. That was, of course, before the decision had been made in the referendum. It was before any thought had been given by the new administration as to what kind of relationship we should be looking to achieve. The Prime Minister has been very clear that she does not think an off-the-peg option, or one of those three stylised options, is the right thing for the UK. She has been clear that we should be looking at starting with a clean sheet of paper and building the relationship that works best for us. The analysis conducted then, while useful and a good framework for thinking about the issues, is not directly applicable to the issue that we are now looking at, which is deciding what model we want and how we are going to achieve it.

Q15 **Mr Baker:** That is a relief. Could you confirm that, over the next few years under your leadership, it is the duty of everybody in the Treasury to ensure that they support the prosperity of the United Kingdom, and not do anything that might be construed as talking it down?

Tom Scholar: Absolutely, which is why I said that our top priority is to help the Government make a success of exit.

Q16 **Mr Baker:** I am conscious that I have used up a fair bit of time. I will ask two more brief questions. Are you satisfied that you are able to retain an adequate number and quality of staff in the Treasury given the need to staff up the Brexit Department?

Tom Scholar: I am, although it is something that we always need to keep an eye on. As you know, the business model of the Treasury does involve quite a high turnover of staff. A lot of that turnover is planned; we plan to get people in, send them off on secondments and career breaks elsewhere, and hope that they come back. We have historically had quite a high turnover. A few years ago that reached something like 25%, which we felt was too high. Therefore, we set ourselves the objective of keeping it within the 15% to 20% range, and that is more or less where we are at the moment. If we can keep turnover in that range, we will continue to bring in new people, particularly those with relevant experience from outside. That is always a good thing. We will also retain the central core capability that we need.

Q17 **Mr Baker:** Your predecessor was in post for 11 years. A new Chancellor



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has also just been appointed. This is therefore quite a material change in leadership at the top. What does that change of leadership mean for corporate governance in the Treasury, and indeed for the direction of travel of its culture and work?

Tom Scholar: Those are certainly both important changes. The Permanent Secretary was in post for 11 years and the Chancellor for six years. That said, a striking thing about the Treasury, which I have observed twice having left and come back on two occasions, is its stability. Although the people change, and, as I have said, there is always quite a bit of turnover, there is something in the DNA of the institution, deriving from the role, which seems to be a little more stable. As important as those two individuals are, I would not overstate that.

On governance, there were in fact a number of changes in the senior team over the preceding 12 months. The senior team is rather a strong one. We have a good group of non-executives, a number of whom have been in post for several years. They play an important part in the running of the Department. When I started in July, I spent much of my time talking to different groups of staff. One of the things I was talking about was precisely the issue that you have raised. However, everything is now settling down and people are getting on with their work as usual.

Q18 **Mr Baker:** Ms Dean, I have just realised that I have not brought you in. Before I exceed my time, is there anything that you would like to add on the subjects that we have covered?

Sophie Dean: No, thank you.

Q19 **Chair:** I am sure that we will find a way of enabling you to say something before our work is done this afternoon. I would just like to pursue one further point related to Steve Baker's questions. You talked about, while it was useful, the Treasury's work on Brexit being really stylised, and said that because it is not exactly the model being followed, it is not really relevant. You are really saying, very politely, that it has been ditched, are you not?

Tom Scholar: No, I am not saying that. The work was produced as an analytical framework within which to look at alternatives. The Government are now in the process of precisely defining their negotiating objectives and opening position. That is not going to be one of those three options but some kind of mixture.

Q20 **Chair:** The question of the effect of Brexit was a highly contentious political issue.

Tom Scholar: It is certainly a contentious political issue. It is also a very difficult analytical issue.

Q21 **Chair:** Do you think that it sailed close to the political wind? Is it something that civil servants should get involved in?



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Tom Scholar: It was appropriate for Government Ministers of the day to ask for the work to be done and appropriate for the Department to do it.

Q22 **Chair:** Have you been briefed on whether your predecessor considered asking for an instruction?

Tom Scholar: I do not know anything about that.

Q23 **Chair:** Have you asked about that issue?

Tom Scholar: No, I have not, because it does not seem to me that it is a matter where a direction would be needed.

Q24 **Chair:** Were you to be asked to do a similar piece of work, is this the sort of thing that you might consider would merit a direction?

Tom Scholar: To be clear, do you mean that if we were asked now to do an analysis of the costs and benefits of some particular alternative?

Chair: Yes, and to publish it immediately prior to a referendum.

Tom Scholar: No, I think that would be an appropriate thing to do. When Parliament passed the Referendum Bill, it did introduce some important safeguards as to the use of public resources in the referendum campaign. Those were clearly ruled out of scope for the 28 days running up to the referendum itself. It was reasonable for the Government to look to the Civil Service for some advice on the issues before that point.

Q25 **Chair:** That is an important qualification regarding the wording of the legislation. You do not think that the impartiality of the Civil Service was compromised in any way by this.

Tom Scholar: No, I do not. The people at the Treasury who were working very hard on that analysis in January, February, March and April are the very same people who are now working very hard in trying to give the best advice on making a success of exit.

Q26 **Chair:** No one doubts their capacity to be professional and to serve many masters. The same people who work for one Government are capable of working for a Government of another political hue. This is not a question of their professionalism but of their impartiality. You are now the go-to man and internal policeman, which is why I am asking you these questions.

Tom Scholar: I have seen no evidence at all of any lack of impartiality since I have returned.

Q27 **Chair:** Have you not discussed this with your predecessor?

Tom Scholar: In our Treasury board sub-committee, which includes non-executives, we had a discussion on the importance of making it very obvious that we were entirely impartial and were in line with serving the Government and implementing the referendum decision. We were not discussing that because we thought there were any doubts about it. We



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were simply discussing how to make it very obvious to others that we were on board.

Q28 **Chair:** You were discussing the presentation of something that you were already confident was appropriate.

Tom Scholar: No. We were discussing the importance of making it quite clear in our analysis and advice that we were looking at the best way of making a success of exit. We looked at economic issues, and also accepted that there were wider non-economic issues.

Q29 **Rachel Reeves:** Thank you both very much for coming to our Committee today. I want to follow up on some of the issues that Steve Baker and the Chairman have raised, before coming on to some issues of fiscal policy. The report published in April about the long-term economic impact of EU membership was, at the time, the official Government position on the costs of leaving the European Union. Is it still the official Government view on the costs of those different scenarios?

Tom Scholar: We have not reworked that report and have not been asked to do so. As you know, the work was based on very extensive economic and econometric research, and was audited and quality-checked by academics. The key point is the one I made earlier in response to Mr Baker. It was an analysis that looked at three particular stylised assumptions, and none of those are objectives that the Government are pursuing. That means that, at the time we open negotiations with the EU, we will end up setting out proposals for a different, bespoke arrangement. I do not know whether, at that time, we will produce a further analysis of what we think the impact will be; that will be for Ministers to decide. It is there, it is a matter of record, the model was published, and we have explained how we got to where we got to. We felt at the time that it was quite in line with estimates that others had published, and that is still the case. It serves as a guide to the internal debate. I am expecting that we will end up with a proposal for a different type of relationship, and so that would have different costs and benefits associated with it.

Q30 **Rachel Reeves:** Mr Scholar, we do not know at the moment, do we, that one of those scenarios, whether WTO or EEA, will not be the negotiating position of the Government? If one of those were the negotiating position of the Government, would the Treasury stand by its analysis of the impact of those different relationships.

Tom Scholar: We do not know what will be proposed. As I said, the Prime Minister has been clear that we should not feel constrained by one of the existing models as they apply to others, and should look for something that suits the UK. Whatever proposal we come out with, whether one of these or a different one, we would examine it at the time in the light of whatever information we had, including the evolution of the economy and data since the referendum.

Q31 **Rachel Reeves:** You make the point that the analysis is based on



economic models. Would it be possible to input a different set of relationships, for example an EEA but not a customs union, into those models and work out the impact? Is it not as straightforward as that?

Tom Scholar: It is famously a rather complicated model. You cannot just take a variable and derive a result at the end of it, saying, for example, yes to a customs union and no to the single market. Of course, by definition, it is estimated looking at trade relationships between lots of different countries. It is not based on looking at the experience of a country leaving the EU, because that has never happened. That is obviously a limitation to the analysis. Without knowing what kind of UK-EU relationship we will be looking at, I cannot say what the most robust econometric method of analysing it would be. This model is not sufficiently rigorous that you can plug in any kind of assumption and derive a result from it.

Q32 **Rachel Reeves:** Looking at the economic impact of different outcomes would presumably be one of the ways in which the Government will decide its negotiating position ahead of triggering Article 50. Is that something the Treasury is working on at the moment?

Tom Scholar: Yes, it is. That is a discussion happening within Government at the moment. To take one example, on the question of whether or not the UK should remain part of the customs union, it is a spectrum and there are two ends to that spectrum. There is being in, as we are today, and being out. Within that, in principle, there are a range of mitigating actions that we could take in our borders and our European partners take in theirs in order to reduce the cost of being outside. That is something that would be as much in their interest as ours, because EU countries have as much of an interest in accessing our market as we have in accessing theirs. This is a rather technical question on which HMRC will need to advise as well: as we look to design the most advantageous possible relationship for both parties, are there ways, if we decide to leave the customs union, in which those costs could be minimised? That is just one example, and we could have the have the same conversation about other issues.

Q33 **Rachel Reeves:** It is obviously helpful for the Chancellor, Prime Minister, and others in Government to look at the impact of these different scenarios and positions we could be after leaving the European Union. It would also be useful for parliamentarians and the public more generally to see all of this. Will the Treasury be publishing something ahead of the Autumn Statement, the Budget, or the triggering of Article 50 that sets out the economic impact of either the Government's negotiating position or different scenarios?

Tom Scholar: In answering that, I am very conscious that there is a debate ongoing in the House on these very issues. First of all, let me say that we are still quite some way away from defining that position. The Prime Minister has said that the triggering of Article 50 will take place some time in the first quarter of next year. At that time, it will be for



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Ministers, and ultimately the Prime Minister, to decide the basis on which Parliament is engaged. We will certainly be ready to publish any analysis that we are asked to do.

Q34 Rachel Reeves: In terms of us, as a Select Committee, being able to scrutinise the Treasury, it would help us to do our job if we had information with which to unpick different scenarios, ask questions and have a discussion. Otherwise, we cannot really do our job of holding Government or the Treasury to account. I would think that it would be essential to publish this information for parliamentarians, as well as the public, to understand and make an informed judgment, and for us to carry out our role of scrutinising.

Tom Scholar: I will take that on board. Of course, the Treasury does not hold a monopoly here. This is a debate being observed by many people, all of whom are trying to work out where it is going to go and what the impact might be. In any case, you will have a wealth of analysis. However, as I said, decisions on what the Government publish will be made by Ministers. We, the Treasury, as officials, will be ready to produce anything we are asked to.

Q35 Rachel Reeves: Finally, the other body at arm's length from the Government that would be able to do this sort of analysis is the Office for Budget Responsibility. Many people thought that it would be good for the Office for Budget Responsibility to have done the study back in April in order to improve at least perceived objectivity. Would it be possible for the Office for Budget Responsibility to look at this? Are you having discussions with them about them looking at this?

Tom Scholar: They of course have a statutory requirement to publish two economy forecasts a year to accompany fiscal events. In the usual way, in doing those, they need to make a set of assumptions about underpinning the forecast. They will also need to make some kind of assumption about either what they think the future relationship is likely to be or the likely economic impact. It will be a matter for them as to how they do that.

Since we are still some way away from the triggering of Article 50, it is not something that we have talked to them about. At the point that Article 50 is triggered, some time in the first quarter of next year, they will have a very clear benchmark on which to base their next forecast. In their published document, they would need to analyse that. Inevitably, over time, they are going to end up making that analysis.

Q36 Rachel Reeves: One might argue that by then, if the negotiating position had already been set, it would be too late, but maybe this is something general we could also follow up with the Office for Budget Responsibility. I will be brief, because I recognise that I have spent more time on that than I should have, because it was very interesting. On the surplus rule, the Chancellor announced on 2 October that the Government will no longer be targeting a surplus as a result of the



referendum. What is it about the result of the referendum that means the Government can no longer target a surplus?

Tom Scholar: Of course, we do not yet know what the effect of the referendum result, the negotiations that will take place over the next couple of years, and the final agreement will be. As of now, based on what a number of external forecasts and the Bank of England have said—we will also see what the OBR says in November—we expect all of that to lead to at least a period of weaker growth over the next few years. We do not know how much weaker.

Other things being equal, that would lead to greater fiscal pressure. In those circumstances, we do not think that it would make any sense to tighten policy in order to stay on track for that objective. That is very much the view of the Chancellor and Prime Minister. Having said that, as the Chancellor has spoken about at some length over the last week or so, we will need to set a framework that will give us the flexibility to respond to whatever circumstances we face, but that also has a medium-term anchor, particularly in terms of continuing to bring down the debt. That is something that we are looking at now in the run up to the Autumn Statement.

Q37 Rachel Reeves: Mr Scholar, you said that the Chancellor and the Prime Minister believe that there will be a period of weaker growth because of the referendum result. Do Government collectively believe that, as a result of the referendum, there will now be a period of weaker growth as we set to leave the European Union?

Tom Scholar: The OBR, not the Government, forecasts the economy. Both the Prime Minister and the Chancellor have talked about bumps in the road over the time ahead. That is not to overdramatise it, but to recognise that we are making a transition from one set of economic relationships with our closest trading partners to another. Inevitably that leads to some uncertainty, and it would not be at all surprising if that uncertainty meant some period of weaker growth. However, as I said, we do not forecast; we take the OBR's forecast. Indeed, under the legislation, our job is to set fiscal policy and policies to achieve a fiscal mandate on the basis of what is projected by the OBR. We will take what they project and work with that.

Q38 Rachel Reeves: Finally, in the Autumn Statement, will all departmental spending limits be up for grabs, or does the Government have particular priorities?

Tom Scholar: No, we are not conducting a new spending review. Indeed, the Government has been clear that we will stick within the existing spending plans.

Q39 Rachel Reeves: There will not be any loosening.

Tom Scholar: We will stick within the existing spending plans. The Chancellor said last week that, within that, we will look particularly at the



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infrastructure side. We will look at what scope we have to bring forward projects that are worth doing and could be supported, regardless of the short-term evolution of the economy. We will also make final decisions on that once we get the OBR forecast and the third-quarter data. There is actually a lot of information still to come before we get to the Autumn Statement.

Q40 Chair: You said that in the run up to the Autumn Statement, you are doing work on an anchor to bring down the debt. What did you mean by that?

Tom Scholar: The fiscal framework that we have operated under until very recently has had two elements to it. It has had a target date for getting the borrowing back to balance, and it has had a commitment to bring down net debt as a percentage of GDP in each year of this Parliament.

Q41 Chair: Both of those are looking a bit sick.

Tom Scholar: We will see what the OBR projects, but it would not surprise me if it does not expect us to hit either of those targets. We need to recalibrate and have a framework that gives us the scope to provide whatever support we judge that we need. We also need to anchor it within a medium-term framework of fiscal credibility, and that does mean bringing down the debt over time. Precisely how fast and when we do that is to be decided.

Q42 Chair: So there is work going on at the moment for the creation of a new fiscal framework, with Treasury officials providing advice to the Chancellor on how that might be constructed, and with a view to creating a replacement for the two rules that have either been abandoned or look weak. Are we really talking about another successor in this long list of fiscal guidelines, targets, medium-term financial strategies, and golden rules? You are doing your best; I can see your smile. We have had many of those over so many years and decades. We are going to have another one, are we not?

Tom Scholar: We are looking exactly at that. Every country I know wrestles with this dilemma. You need to have some sort of rule to guide markets and what we are trying to do on fiscal policy, but no rule lasts forever. Things constantly change, and so every now and then you need to change a rule.

Chair: You are telling us that having a rule is better than having no rule. Otherwise you would not be bothering to do the work; you would be advising Ministers to abandon it. It is very helpful to know that.

Q43 Chris Philp: I would like to return to the question of economic forecasts post-Brexit. You said in answer to an earlier question that no work had been done on this since the April forecasts looking at the economic impact of Brexit. Yesterday, however, the *Times*, *Telegraph* and other papers reported a leaked draft Cabinet Committee paper forecasting a



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loss of up to £66 billion a year in tax revenue if we transitioned to WTO terms as compared with staying in the European Union. Are you suggesting that those reports were inaccurate, or that this Cabinet Committee paper was compiled with no Treasury input? The presence of these reports would seem to be at variance with your comment a few minutes ago.

Tom Scholar: As you know, we do not comment on leaks. I do not know what paper was leaked and indeed I have not seen the paper. What I can say is that the widely quoted £66 billion number that was in the press yesterday was in the document that we published in April. In that document, one of the stylised alternatives to EU membership that we looked at was a third-country relationship, often called a WTO—a relationship with the EU without any free trade agreement. The paper gave a range of possible impacts. On the possible fiscal impact, it gave a range of £38 billion to £66 billion, and so whatever paper it was presumably took the number from there.

Q44 **Chris Philp:** Were yesterday's press reports suggesting that there was some new recorded fact simply a regurgitation of a figure that was published last April and is not new at all?

Tom Scholar: It was published last April, yes.

Q45 **Chris Philp:** I see. That is a helpful clarification. On the question of the fiscal framework, which Rachel Reeves and the Chairman asked about a few moments ago, you said that there would be a new medium-term anchor in fiscal framework version 76, shortly to be announced. Can you define for the Committee's benefit what you mean by medium-term?

Chair: More than short-term and less than long-term.

Chris Philp: Do not help him. He can answer for himself.

Chair: Sorry, Mr Scholar.

Tom Scholar: What I was doing in my earlier answer was to repeat what the Chancellor said last week, in that we do not believe that we are likely to hit the two targets set previously. Although it would be possible to take corrective action in order to hit them, we do not think that would be sensible for the economy. We will need to set a new framework that allows some short-term flexibility, but does so in the context of a policy that shows that we have the fiscal position under control.

The precise calibration is to be decided, and there are, as you might imagine, lots of spirited debates about what the best calibration would be. The central thing will be to make it clear to the markets that we have a policy that will deliver a sustainable debt position, and that over time the debt will come down. What is medium-term? To take the Chairman's formula, it is not the next couple of years and is not the next 20 years but is in between. Typically, fiscal frameworks have tended to have targets four or five years out.



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Q46 Chris Philp: The target date for eliminating the fiscal deficit was 2019-20. When the Chancellor delivers the Autumn Statement, will there be a revised and later date by which we envisage eliminating the fiscal deficit?

Tom Scholar: No decisions have yet been taken by the Chancellor as to how this will be calibrated.

Q47 Chris Philp: I am not asking what the date is, but for confirmation that there will be a date laid out.

Tom Scholar: I cannot confirm that, because it depends on how he decides to approach it. There have been other frameworks over time, in this country and others, which had a rolling target over several years. There have been those that set out a particular point in time. There are different ways of doing it.

Q48 Chris Philp: Would you agree that, were there to be a new framework proposed that did not have a date by which we would reach fiscal breakeven—so elimination of the annual deficit—then we would lack credibility as a country in the face of our creditors?

Tom Scholar: It is not necessary to set a particular date for breaking even. Indeed, when the previous Chancellor set that policy a couple of years ago, it was at the time quite a controversial thing to do. There was a big debate about whether a break-even point itself was necessary or not. Different fiscal rules have not targeted break-even of the whole deficit, but have looked rather at some part of that. There are different ways of doing this and every rule has its pros and cons. I am not yet able to say what that will be, but we are still working on it. That is the job for the next few weeks.

Q49 Chris Philp: Did the last set of rules not in fact have a provision designed to capture adverse events? There was a rule that said that if GDP growth was less than 1%, you could effectively abandon the fiscal surplus target. Most forecasts suggest that, despite Brexit, GDP growth will continue to be above 1%, and it is certainly above 1% at the moment.

Despite the fact that we have gone through the Brexit vote, according to the previous Chancellor's logic there is surely no need to abandon our fiscal target. We are once again kicking the can down the road. If we had broken even by 2020, that would still have been 18 straight years of deficits. We are simply prolonging the deficit when even the previous set of rules did not require us to loosen, because we have not broken the 1% growth threshold and nor are we forecast to.

Tom Scholar: We do not yet know what we are forecast to do, and, as I said earlier, we will have to wait and see what the OBR say in November. The best sense we get from looking at a range of forecasts, including the Bank of England and external forecasters, is that we may come quite close to that 1%, although I do not know which side of it we will be. Putting that to one side, given that we are expecting a period of



uncertainty—I put it no more strongly than that—the judgment has been taken that it would not be sensible to take now the tightening measures that would be implied in order to get the fiscal position onto the same path that was projected six or 12 months ago. Our advice endorses that judgment.

Q50 Chris Philp: That is despite the fact that no one is currently forecasting the 1% threshold will be breached.

Tom Scholar: There is no science to the 1% target. That was put in the previous framework as a safety valve for times of economic slowdown. When we look at this now, we are conscious, as I have said, that we are entering a period of uncertainty and we want to give ourselves the flexibility to respond to that uncertainty. It may be that there is no need to be, and it may be that growth never dips below 1% over a rolling four quarters. If it does not, that would imply one thing for short-term fiscal policy; if it does, that will imply another.

In saying that we will not stick to that previous set of rules, we are not pre-judging what we will do. As the Chancellor has said, there is no plan for a great splurge in public spending. We are simply saying that we will not now be taking the corrective action that we would otherwise have needed to have taken to stay on the same platform.

Q51 Chris Philp: Before I move on, I will leave you with the thought that there are downside risks in both cases. If we do fail to stick to our own fiscal targets, there is a risk that our bond yields will go up. That would have consequences for servicing our extremely large national debt. I would caution that there are downside risks in ducking the targets, just as much as there are risks if we do not loosen. I would ask that the Treasury remains cognisant of the risks in both directions.

Tom Scholar: We are very vigilant to those.

Q52 Chris Philp: Can you comment on the Treasury's view of what post-Brexit arrangements would best safeguard the interests of our very vibrant and important financial services sector, particularly the City of London where many of my constituents work?

Tom Scholar: The financial services sector is a very important contributor to the economy not just in London and the South-East but right across the whole of the country. This is something that, as you might imagine, we are studying very closely right now. It is not a question with a very simple answer, because the financial services sector in the UK is not just big but also very varied.

There are some parts that are very clearly entirely domestic-facing and do not depend on the European market in any way. There are other parts that are entirely global-facing. There are important parts that face Europe-wards and are providing services to businesses across Europe. Recognising the importance of the sector to the overall health of the



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economy, we are very keen indeed to ensure that we get a new arrangement that allows it to go on making that contribution.

We are looking at this in a detailed and granular way. We are of course talking to the industry about this, and trying to determine the precise nature of the access that they need to the market. As part of the same question, we are also looking at the contribution that the UK financial services sector makes to industry across Europe. That will be an important part of our argument in the negotiation. The UK financial services sector is very much a European asset, and we think that it is in the interests of industry and business across Europe that it continues to be a thriving sector available to service both UK and European needs.

Q53 Chris Philp: What kind of post-Brexit arrangement would best facilitate that two-way relationship?

Tom Scholar: In public debate you often hear people talking about the financial services passport. That is shorthand for quite a complex set of regulatory arrangements. There is no doubt that, within the context of EU membership, it is something that has been beneficial to the sector. In the context that we are not a member of the EU, there are all the questions about precisely what the relationship will be, and we do not know yet. We are looking at precisely what kind of access our financial services firms would need, and what that might imply for agreements between regulators and regulation in the UK vis-à-vis the EU. It is a highly technical question to which we do not yet have an answer.

Q54 Chris Philp: What level of priority will you be advising the Government to assign to maintaining the two-way access through, crudely speaking, the financial services passport or mutual recognition provisions?

Tom Scholar: We need to look at the whole economy in any new arrangement. The UK economy and UK exports are quite services-heavy, and financial services are an important part of that. We will be very keen indeed to make sure that the final agreement gives the proper place to financial services within that. It will have a high priority in discussions.

Q55 Chris Philp: Finally, do you think there is a risk that some financial services firms, in the absence of any clarity over where we are heading, might choose pre-emptively to relocate staff from London to elsewhere in the European Union before the end of the negotiation? VTB Bank's announcement just yesterday is an example. It takes a year or two to move people, and if we cannot give them the clarity they need to give them the confidence to stay, there is a risk that they will start drifting away over the next three, six, nine or 12 months.

Tom Scholar: VTB have obviously made the announcement that they have made. We are also in regular conversation with all of the firms as to their plans.

Q56 Chris Philp: Do you accept that they need reassurance in the next three to six months to prevent them from taking precipitative action?



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Tom Scholar: There is no desire on the part of these firms to take this action. This action would be quite costly and disruptive for them. The whole process of moving people and businesses, finding new buildings, and getting new regulatory authorisation is not something that any firm wants to do if they can avoid it. A number of them are making noises about this. You would expect them to do that, and it is right that they do so. However, we are in very close dialogue with them. I hope it is understood that we are taking the position of the financial services sector very seriously indeed. We are working hard towards making sure that we are able to head off those concerns.

Q57 **Chair:** Has the Treasury tried to make an estimate, or asked the OBR to make an estimate, of the degree to which investment has been postponed?

Tom Scholar: We have not made that estimate ourselves. Investment in industry generally will be implicit in the OBR's forecast.

Q58 **Chair:** It is particularly pertinent to, and goes to the heart of, Chris Philp's question.

Tom Scholar: Yes. We have all seen survey data about investment intentions; that is probably the data that has been most affected since the referendum. The OBR will have to make some estimate and assessment of this as it does its forecast. Our best sense at the moment is that financial services firms are not making or triggering new plans, but are waiting to see how the debate will evolve. We are making sure that we are keeping very closely in touch with them so that we understand their business needs in terms of future access to the European market and, if they feel that those needs are not going to be met, what decisions they might take and when.

Q59 **Chris Philp:** Do you accept that the best way of minimising the risk of job losses or postponed investment decisions is to give clarity as to our broad intentions on a timescale of the next three months?

Tom Scholar: The job for the next few months is not just a job for the Treasury. The whole of the Government are working on this and the Treasury is playing its part. We absolutely want to work towards a timetable whereby we will be in a position to set out what we are trying to do as we trigger Article 50 by January, February or March next year.

Q60 **Chris Philp:** It really needs to be before.

Tom Scholar: From Article 50, there is a minimum of two years. That is quite a long time in the planning cycle of these things.

Q61 **Chair:** It is actually a maximum of two years, unless we get all-country agreement for an extension, which many say is very unlikely.

Tom Scholar: It may be that it is both a minimum and a maximum, but it cannot be less than two years. That is what I meant by saying "minimum".



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Q62 **Chair:** Is there anything else that you want to add?

Tom Scholar: I do not want to sound in any way complacent. We are fully in touch and engaged with these firms. Understanding what they need in order that they go on providing their current level of contribution to the economy is very important. That will be factored back into our discussion.

Q63 **George Kerevan:** Good afternoon, especially to Ms Dean, who went to Edinburgh University, as did I.

Sophie Dean: I did, thank you.

Q64 **George Kerevan:** We fight our case against Oxbridge. I do not know which of you is best placed to answer this question, but could you give me some idea of the scenario regarding the reduction in public ownership of RBS?

Tom Scholar: Certainly. RBS is the institution in which we have the largest outstanding shareholding, and returning that back to the private market is bound to be a process that takes some years.

Q65 **George Kerevan:** How long? Will it happen during this Parliament?

Tom Scholar: I cannot put an estimate on that. With 72%—or thereabouts—of the institution's shares, that is not something that is going to happen in one go, but over a run of years.

I should also say that we have seen quite significant volatility in the share prices of banks over the last few months, in general but very much including RBS. There are two rather important processes that RBS is undergoing at the moment, which probably add to investor uncertainty and make this not the best time to embark on a sale. The first of those is the divestiture of Williams and Glyn, which, as you know, is a condition of the state aid approval going back to the bailout in 2008-09. The second is an investigation by the US Department of Justice and regulators there about the alleged mis-selling of mortgage-backed securities.

Both of those processes are underway. We have been advised by UKFI, who manage the shareholding for us, that it would be sensible to wait until those processes have come to an end and there is clarity about them, because that would remove one source of investor uncertainty. Again, I do not know how long those will take, but we are really some way away from embarking on sales of RBS shares.

Q66 **George Kerevan:** Is it unlikely that there would be sales of even a minor tranche of the existing shareholding prior to the resolution of the divestiture of Williams and Glyn and the US case?

Tom Scholar: That is certainly the advice that we have had to date.

Q67 **George Kerevan:** That is a bit clearer. I would like to test you against something that your predecessor Nicholas Macpherson said when he retired this year. He gave an interview to the *Financial Times* in which he



implied that Governments were very bad owners of banks, and that, all others things being equal, downwards pressure on the share price would be inevitable for as long as banks continued to be in public ownership, and that therefore there was a prima facie case for selling RBS shares now, even at a price well below the 502p for which it was bought in 2008. Does that in any way represent Treasury thinking: that you would sell well below the original price at which the public took RBS into ownership, because although we would not get a substantial part of the money back, it would release the bank to operate more commercially?

Tom Scholar: There are two halves to that answer. First, any bank that has been taken into part public ownership does have certain constraints put upon it, and those do reduce its attractiveness to investors. An example of that is the requirement to sell a part of the network through Williams and Glyn. That was a condition of the state aid in the first place.

Another important, more technical example is the question of the dividend access share. It was again a condition of state aid not to pay dividends for a certain number of years, and, as I am sure you know, not until they had redeemed this special share. That was something they did earlier this year. That has removed one block to investors, because it means that they can now resume paying dividends. Another block will be removed once the Williams and Glyn thing has been settled. There are issues of public ownership of banks that do arguably weigh on a share price.

Second, when we come to look at this again, we will, as always, take expert advice from UKFI. The question looking forward has to be: what is the process that will maximise value for money in the return to the taxpayer? I do not know what the share price will be at that point. It would be very welcome if it was closer to the in-price, but I cannot say now whether or not it will be.

Q68 **George Kerevan:** There is no test whereby you would not sell until you could be sure of getting back the original investment.

Tom Scholar: It will be for the Chancellor to decide whether and when to start the sale process, but I would certainly expect our advisers, consistent with their earlier advice, to say that the important thing is to look forward, not back.

Q69 **George Kerevan:** Prospectively, we could have a substantial loss.

Tom Scholar: I cannot make a prediction on that, but I certainly cannot rule out a loss. As I say, it would be very welcome if the sale price was higher and closer to the in-price.

Q70 **George Kerevan:** I will settle for that. When it comes to doing the next round of selling off, either as a whole or in tranches, would you expect senior Treasury officials to consult regulatory bodies to see if there were any issues emerging from regulation that could have an impact on the sale share price?



Tom Scholar: We would do what we always do, and what other Departments do when selling assets. We would make sure that we were not in possession of any insider information. That is a legal requirement; you cannot sell if you are in possession of insider information. We define that rather rigorously. For example, if we were considering a change in tax policy that might have an impact on bank profitability, we would not engage in a sale until after whatever information we had was public. That is extremely important to the integrity of the process.

- Q71 **George Kerevan:** Let us say that the regulator was about to produce a major report into legacy activities of RBS that any reasonable person would assume could lead to further litigation and fines. Would that fall within the rules about proceeding with a sale? If you knew that in one month there would be a major report likely to depress the share price, would you put off the sale?

Tom Scholar: Any information as to the content or likely conclusions of the report would certainly constitute insider information, yes.

- Q72 **George Kerevan:** You would need to have the content of the report.

Tom Scholar: Imagine it was an FCA report, for example. Any discussions had with the FCA about what the report was likely to conclude or any information shared that was not available to the market in general would constitute insider information. We would not proceed with the sale in those circumstances.

- Q73 **George Kerevan:** Sir John Kingman approached the head of the FCA, Martin Wheatley, at the beginning of July last year and asked when there might potentially be the publication of the FCA's report into Global Restructuring Group, which was part of RBS. Martin Wheatley emailed back that the first possible publication date was mid-August. There was then a share sale of RBS shares by the Government in the first week of August. Does that not rather look as if your guidelines have been infringed?

Tom Scholar: I am quite clear that our guidelines were not infringed. I am very keen to get every single word precisely right here, because this is a rather important issue. Rather serious allegations have been made, not by you, of course, but by a journalistic organisation. These are allegations that we regard as completely without foundation. I would like to suggest, if I may, under the control of the Chairman, that I write a letter to the Committee setting out our response. I do not have the letter with me and I do not want to say a word wrong.

For the Committee, we are completely clear that the Treasury acted entirely properly. Indeed, the actions of Mr Kingman, in getting in touch with Martin Wheatley at that time, were precisely to make sure that the Treasury was fulfilling its statutory obligation and legal responsibility not to proceed with a sale with any inside information. I would like to make that clear statement and offer a letter in due course.



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Chair: We look forward to receiving the letter. Thank you very much for that clarification. I am sure you understand that it would be helpful if we could have as much detail as possible in that letter, in order to provide that reassurance.

Tom Scholar: Certainly.

- Q74 **John Mann:** In the introduction to the Competition and Markets Authority's *Competition law risk: a short guide (2013)*, it is stated that, "lines can become blurred and easily crossed". When you talk about your rules, the response from Mr Wheatley of 3 July is actually a whole series of dates. It is a running commentary. It is not an estimate on publication. It is a whole series of dates and a running commentary. That is not normal procedure, is it?

Tom Scholar: As I said a few moments ago, I do not have with me the full details of the action that we took. I will write to the Committee very quickly with those details.

- Q75 **John Mann:** I am talking about the principles here.

Tom Scholar: On the principles, I can give the Committee a categorical assurance that the Treasury acted entirely properly, that John Kingman acted entirely properly, and that we were fulfilling our legal responsibilities, no more and no less.

- Q76 **John Mann:** With respect, you would say that, wouldn't you—as some might say? I appreciate that this is correspondence not from you personally, but the same booklet refers to organisational culture. It states, "Organisations can easily slip into" anti-competitive situations. Would it be appropriate for the FCA to be giving that kind of information to Barclays bank if investigating them?

Tom Scholar: On the question of culture, the Treasury is an organisation that believes very firmly in competition, fair markets, the integrity of markets, and upholding the law. In everything we do, we make sure that we are respecting those principles. I can again repeat the very clear assurance I gave that the Treasury acted entirely properly, and I will write with full details.

- Q77 **John Mann:** You keep repeating it, but the email exchange references the Chancellor of the Exchequer and his interest in the area. We therefore have a politician clearly pressuring in relation to that. Are we not in a completely different situation from normal? It is not your rules. It is state aid rules and competition rules within the context of the European Union rules that have to be abided by here. I put it to you that it would be improper and inappropriate for the FCA to send that letter to a privately owned company such as Barclays when investigating them. Would you disagree with me?

Tom Scholar: You are raising a hypothetical question about a hypothetical situation.



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John Mann: No, I am not. It is not hypothetical. It is a question of what should happen.

Tom Scholar: What I am saying is in terms of what did happen. The Treasury acted entirely properly, and I will write with full details.

Q78 **John Mann:** You are stating that, and I am challenging you on that. The question of whether the FCA acted properly is very important, not just for the FCA but also for the Treasury. The Treasury and the Chancellor, who is specifically and explicitly referenced, are the ones who have pressured for this information. Some might call that insider dealing.

If the information is available to a majority state-owned bank but not Barclays, HSBC, Standard Chartered, or a plethora of other private banks, that can affect what the consumer actually receives. There is a consumer interest when they purchase those shares. I will repeat the question. Would you regard it as appropriate for someone like Barclays to receive information in relation to an investigation into Barclays?

Tom Scholar: In order to give you an answer to that question, I would need to look at the exchange of emails precisely, and I do not have them with me. I would also need to take legal advice. I am very happy to go away and do that, but I repeat what I said before. We received a serious allegation of illegal behaviour by the Treasury. Our lawyers looked at it and they have comprehensively rejected that allegation. We have responded in kind in the letter cleared by our lawyers. I will write to the Committee very quickly with full details. The reason that I do not want to hazard a guess at the answer to your question is that the nature of the allegations is so serious that I do not want to say something inaccurate. I would prefer to give you the precise, proper facts very quickly in writing.

Q79 **John Mann:** I will not pursue the questions, and I am pleased to see that it is regarded as serious. However, lawyers would not accept culpability at this stage in most situations. Whether this is or is not a breach of competition policy, and does or does not give an advantage to a state-owned bank and the state agency overseeing that bank, with a vested pecuniary interest in the outcome of the sale, is an important issue.

Let me move on to a separate issue that perplexes me. Your Department prepared what some have described as a "revenge Budget" in advance of Brexit, but does not appear to have provided any detailed plan for how to proceed with negotiations. Does it seem appropriate for the Treasury to have done one with great gusto, but not to have done the other?

Tom Scholar: I do not accept that. The Treasury did not prepare a "revenge Budget". We prepared two documents before the final 28 days of the campaign, one on the long-term consequences and one on the short-term consequences of leaving the EU. We have discussed those earlier in the session. During the final 28 days of the campaign, it is true that the Remain campaign produced a leaflet suggesting what a Budget



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might look at, but there was no Treasury responsibility for that; there was no involvement of the official Treasury.

Secondly, on the question of how to approach the negotiation, the Treasury did really quite extensive work in the run-up to the referendum on the alternatives to EU membership, the costs and benefits of each, and how we might approach those. Indeed, the results of that work were published. Since the referendum, we have been as fully engaged as any other Department in discussions across Government about how to define our negotiating objectives and how to approach the negotiations in order to ensure that we get a successful outcome. The Treasury was completely ready to engage on that and has been engaging very constructively on it.

Q80 John Mann: Finally, you are usually a keen observer of Whitehall. Some people would suggest that over the past two to three months, the position and role of the Treasury within Whitehall has been reduced and downgraded compared to what it has been for a very long period of time. If that were the case, it would obviously raise some interesting questions for this Committee. Do you think that is an accurate assessment of the direction of travel?

Tom Scholar: No, not at all. We are completely involved in all the issues that you would expect us to be involved with and in the usual way. I do not recognise that description at all.

Q81 Chair: To follow that up a little, you talked at the start of this session about the continuity in the DNA of the Treasury, which I thought was an interesting phrase. The Treasury you joined in the early 1990s set all of fiscal policy; it set monetary policy, including interest rates; it had overall responsibility for financial stability, although the Bank of England also had some responsibility; and it did its own forecasts. The last three of those four have been passed to somebody else by statute. Does the body that you are now heading up feel different given the offloading of those three very considerable responsibilities?

Tom Scholar: Yes, it does feel different, but it is a more focused organisation than it was 25 years ago. That is in part because of those changes.

Q82 Chair: It is more of a Budget Department, is it not?

Tom Scholar: It is more than a Budget Department. It is a Budget Department, but it is also an economy Department and a macro Department. We do not set monetary policy or interest rates anymore, but we do set the framework within which the Bank of England does that. Similarly, others are charged under statute with responsibility for financial stability, but again we set the framework and in certain areas approve the tools. That makes for a more effective Treasury, and more importantly, it makes for an effective set of economic institutions working for the country. Thinking back 25 years ago, as you will remember from your own time in the Treasury, the monthly round of monetary meetings



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was a very dominant presence, as were the forecasting rounds. The major financial sector crises across the 1970s, 1980s, 1990s and more recently were again a huge distraction.

Chair: You were fairly distracted; you ended up sleeping on the sofa.

Tom Scholar: Since then, Parliament has changed the law on financial stability. We now have tasks allocated to institutions with the expertise, skills, capability and experience in international relations and all the rest of it to undertake them. We have a Treasury that is performing a role very much like a Ministry of Finance in other countries, which is better able to focus on the frameworks, longer-term issues, and the connections between its financial and economics Ministries.

Q83 **Chair:** It is a very different body, a dramatically different body in many ways, and it is noteworthy that the Treasury institutionally opposed all of those changes internally.

Tom Scholar: I remember the Treasury vigorously promoting the independence of the Bank of England.

Q84 **Chair:** For most of its life, while I was there and afterwards, it has been vigorously opposed to change. I have one more question I wanted to put to you. You worked pretty closely for the Administration of Blair and Brown, and you saw quite a lot of the David and George double act. Have we got a double act now between the Chancellor and the Prime Minister? I will give you a moment more to think about how to answer this question.

Tom Scholar: I started my career under the double act of Major and Lamont, swiftly followed by Major and Clarke. In my working life I have seen a number of different Prime Minister-Chancellor combinations.

Chair: I am just naming the three most salient of recent times.

Tom Scholar: Not to forget the Brown and Darling partnership, also dealing with a very difficult set of circumstances. In any Government, the relationship between the Prime Minister and the Chancellor is a critical one.

Q85 **Chair:** Have the current incumbents got a similarly very close relationship to their immediate predecessors?

Tom Scholar: They have a very good relationship. The Treasury, Number 10 and the Cabinet Office are working very closely together, and that is something I very much welcome.

Q86 **Chair:** The thing that I have always found is in the DNA of the Treasury is power and an interest in hanging onto it. In answer to John Mann's question, the Treasury feels that there is as much of it flowing through its veins now as previously. Is that what you are saying?

Tom Scholar: Treasury officials are not motivated by power but by the public interest, good policy and good outcomes. Influence is a very



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important part of that and I am very happy that the Treasury is a very influential Department.

Chair: I was talking about the Treasury institutionally. It is very, very helpful to have you first up. We will have that letter, and if we feel the need to see you again about it, we will. I am sorry that we have not been able to give you a more active afternoon, Ms Dean, but I have no doubt that this will be the first of many times you come before the Committee. Thank you very much for giving evidence to us this afternoon. We appreciate it very much.