

Procedure Committee

Oral evidence: Should there be a Commons Budget Committee?, HC 1482

Wednesday 6 March 2019

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Members present: Mr Charles Walker (Chair); Bob Blackman; Bambos Charalambous; Chris Elmore; Sir David Evennett; Helen Goodman; Mr Ranil Jayawardena; Sir Edward Leigh; Melanie Onn; Alison Thewliss.

Questions 44 - 77

Witnesses

I: Lord Macpherson of Earl's Court

II: Martin Wheatley, Senior Fellow, Institute for Government

Written evidence from witnesses:

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- [Further written evidence from Institute for Government](#)



Examination of witness

Witness: Lord Macpherson of Earl's Court

Q44 **Chair:** Lord Macpherson, thank you very much for coming to see us to talk about a budget committee or whatever it ends up being called; if it ever ends up being anything, to be perfectly honest. I have my first question to you and then I am going to open it up to two of our colleagues who have also served on the Treasury Select Committee. In your view, as a very senior civil servant of great experience, why do you think the Government are so hostile to this idea, given that we are the only major economy in the western world that does not do it?

Lord Macpherson of Earl's Court: I think that Governments tend to be in favour of increased accountability when in Opposition, but the moment they get in power they find accountability a slight encumbrance, a bit of a distraction. That is the elected part of Government. The official part of Government is not really used to being held to account. It finds it slightly painful. If I was to defend the Treasury, when resources are constrained, adding yet another set of hurdles and hoops you have to go through to get from here to there is, again, mildly irritating.

Q45 **Chair:** Right. In reality, the cost of setting up, say, a new Select Committee and meeting any hurdles it set would be a fraction of a fraction of a fraction of the budget.

Lord Macpherson of Earl's Court: Of course. The measure I have is when I used to have to go and have meetings with my Permanent Secretary colleagues, once they stopped moaning about their pay and their car and their pensions, the next subject they got on to—which my old friend, Sir Edward Leigh, would recognise—was the PAC and the National Audit Office. That is when it struck me that the PAC and the National Audit Office must be doing a good job if the Permanent Secretaries are finding this just slightly uncomfortable. I do think that the benefits could be considerable and the costs inevitably very small.

Q46 **Sir Edward Leigh:** As you will remember, you came to my office all those years ago and asked John Pugh and me to be independent advisers to the Treasury. When we arrived there, we promptly found that we did not have much to do. We were frozen out by the civil service, but that is fine. Then your boss, George Osborne, asked us to do this report, which we did, and then it sat on the shelf mouldering away for a year with nothing happening. Do you think that there is some sort of institutional resistance in the Treasury to having more accountability to a budget committee? Can you recall that? I know that you had much more important things to think of, but can you remember any discussions around it and what the Treasury was then thinking about these ideas?

Lord Macpherson of Earl's Court: I read the report as part of revision for appearing here today, and I actually think that it is a rather good



report. I think that it has got lost somewhere in the process of the coalition Government. I suspect that the then Chancellor commissioned it because he wanted you to feel part of a wider process, and I think that he was genuinely interested in it.

The problem is that the longer you are in government—and especially in a coalition context or a minority context—Parliament begins to become a bit of an obstacle to achieving what you are trying to achieve as the Executive.

I do not recall—and I am not just saying this for convenience; I genuinely do not recall—what the official advice was, but I think that the official advice would have been cautious. It would have said, “We have a Treasury Committee. We have a PAC. Do we really need a budget committee? We have just set up the Office for Budgetary Responsibility. Do we need a parliamentary budget officer?”

Looking back on it, we probably missed a trick at that point because, just as ultimately the PAC is an ally to the Treasury in its interest in ensuring that money is better spent, once it had got over the bureaucratic aspects of a budget committee I think that a budget committee would be an extraordinary ally. The House of Lords has no role on money—and quite rightly so—but whenever I go there every speech is always about how much more money should be spent on something or other. No one ever seems to be taking a wider view from the point of view of the taxpayer.

Q47 Sir Edward Leigh: Thank you very much for that answer; it was very positive. Thank you also for your written evidence, which I have also read very carefully. As you would expect that is very clear and very well written, particularly the potential role of a budget committee. You have that on your second page. I will not go through it; colleagues can read it all. The point you make is important. When I was on the PAC I always noticed that we had a very good relationship with the Treasury, and I thought that we were doing the work of the Treasury, actually. Therefore, I would have thought that this budget committee could help the Treasury a lot in scrutinising things.

What happens at the moment? Obviously, you have spent your whole lifetime in the Treasury. Tell us a bit more about the process internally of government, as you are scrutinising spending review documents and estimates. Presumably, it is an integral part of your work. There are large numbers of very clever people doing it. Can you give us more of a feeling of how it works and how a budget committee could relate to that?

Lord Macpherson of Earl’s Court: In modern times, spending reviews take much longer than they used to. When I started in the Treasury you had a spending review every year and there was a budget cycle. You did the budget in the spring. The spending review process cranked up in July; it would conclude in November. Now you tend to have spending reviews once every three or four years. That usually means that the spending review process goes on over 18 months.



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It is in the nature of spending reviews that the pressures on public spending are always far greater than the taxpayer through Parliament is prepared to pay for, so you are always on the lookout for trying to find what is known in the trade as savings. Some of that will reflect political priorities. The Government of the day will have priorities, and rightly so. Some of it is driven by demand-led commitments. For example, for some strange reason, all the major political parties are committed to the so-called triple lock for the uprating of pensions. That means before you have even started, because of demography, because of the uprating, pensions will account for a greater proportion of public spending with each spending review, so something in the system has to give.

The Treasury has various cross-cutting teams that look at things like pay in the round, pensions in the round, but it also has a whole lot of departmental-facing teams. These are quite small. There are probably about 10 to 12 people in each of those teams, but their job is to just be all over the programmes, really understand them and ultimately be able to advise Ministers where the cuts will fall.

Where the system tends to break down slightly is, as you get towards the end of the process, it is very important that the numbers add up, but often the politicians will not take decisions that mean that the programme outcomes are consistent with the numbers. At the end of it, there are lots of secret sort of side letters that promise you access to the reserve for building Crossrail or whatever, which is not on the whole revealed to Parliament.

One of the reasons that I am interested in a budget committee is to have a body that can ask quite difficult questions—have you really taken the decisions that will deliver these numbers?—and can look at some of these issues in the round, whether it is health and social care, or health, social care and local government, or health, social care, local government and Work and Pensions, where there are programmes that are related, which normally will not be picked up by individual departmental-facing Select Committees.

I know that there are members of the Treasury Committee sitting here and, theoretically, the Treasury Committee could fulfil this role, but I have found over time that the Treasury Committee has become less and less interested in the details of public spending planning, partly because there have been really sexy things out there like beating up bankers, which is far more fun than getting into the detail of public spending, much of which is quite boring but someone has to do it.

It ties into another thing, which I think I appeared before you to talk about once: whole of Government Accounts. Whole of Government Accounts has really interesting information in it. The only body I have ever found that has ever been remotely interested in it—certainly I never found anybody interested in it in central government, in the Executive—is the Public Accounts Committee.



I do think that Parliament can make a difference by being quite forensic. It cannot be forensic on everything any more than the Treasury can, but you could choose certain cross-cutting issues or certain special departmental issues to get stuck in on.

Again, I quite like your proposal, Sir Edward, that a budget committee could comprise members of individual Select Committees because, if you are going to make this work, ensuring that the relationship between the budget committee and individual Select Committees, the relationship with the Treasury Committee, the relationship with the PAC is all seamless and works and strengthens the overall process seems to me absolutely critical.

- Q48 **Sir Edward Leigh:** You do not think that this budget committee would be sucked into overall macroeconomic policy; we could avoid that on this committee? I think that we could in the same way the PAC does. In this list that you give—the potential role of a budget committee—you think that it could carve out a useful niche. We have always been stymied up to now by the determination of the Treasury Committee, and the sort of turf war, not to allow this budget committee to ever be born. You seem to be suggesting that there is a role that is not adequately covered by the Treasury Committee and we could avoid getting involved in these wider policy decisions. We would be looking at each spending review. We would be looking at the relationship between the different Departments. We would be looking at whether this Department had carried out what it promised, and that is the sort of thing that you are thinking of?

Lord Macpherson of Earl's Court: This will only work if you scrupulously keep out of the macro agenda. The Treasury Committee can do that. This is not the issue. The issue is you, the Government, are planning to spend this amount of money on A, B, C, D, E, F and G. The job of this Committee is pretty much abstracting from the wider economy—although there may be some issues when it comes to social security—to ensure that these plans are coherent and make sense and to do it in advance of the traditional estimates process, which again, as your report pointed out, takes place very late indeed and tends to be pretty granular. The opportunity is more looking at the spending plans as a whole, not just for the year ahead but over the next three to four years.

- Q49 **Helen Goodman:** Thank you for coming to the Committee this afternoon, Lord Macpherson. It sounds a little bit as if what you are proposing is code for the Treasury looking for an ally in its attempts to put downward pressure on public spending, particularly your point (b): ensuring that allocations are consistent with demand-led pressures. Would that be fair and, if it is not fair, why is it not fair?

Lord Macpherson of Earl's Court: As a former Treasury official, you would expect me to want to see processes that can help the Treasury do its job. I am not saying this would create some massive downward bias and when I say “an ally”, it is really quite an indirect alliance. The Treasury very rarely got together with members of the PAC to discuss



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things, but over time, and especially working with the National Audit Office and other institutions, you could agree that certain areas—

Q50 **Helen Goodman:** Well, it could be implicit, not explicit.

Lord Macpherson of Earl's Court: Yes, exactly. It would be implicit. Why do I think that is important? So much pressure within society is to spend more and Government have a horrible tendency to want to spend more without ever quite explaining how they are going to pay for it. Anything that can improve the debate around getting and spending, and also borrowing, can only be a good thing.

Q51 **Helen Goodman:** It sounds to me as if what you are really suggesting is that you want improved transparency in order to have a better public debate. From what you are saying, I am not clear that the committee would have any particular levers. What is the interrelationship between the work of the committee and the estimates in your mental map?

Lord Macpherson of Earl's Court: I am not sure I agree with that. I think that there is something about the challenge, which parliamentary committees give when they are operating effectively, which can force the Executive to improve both its thinking and the way it goes about its job. For example, take the work Parliament has done on Universal Credit, which is a micro issue and it is quite happily done by the relevant committee. Allied to the work of the PAC in reviewing spending, I am in no doubt that that has forced the Department and Ministers to think more sensibly and set out more credible plans on Universal Credit, so I see no reason why this cannot be done on a broader level.

You asked about estimates. I would not propose that the budget committee goes over every single estimate, but I do think that its thinking could inform a better debate when estimates are debated in the House of Commons in July.

Q52 **Helen Goodman:** When estimates are debated we are not allowed to mention the estimates, of course.

Sir Edward Leigh: We are now.

Helen Goodman: Oh, we are now, yes. That has been a longstanding problem.

Lord Macpherson of Earl's Court: The House of Commons in many ways has led the world in parliamentary accountability, and it is odd how very little time and resource is directed at scrutinising public spending.

Q53 **Helen Goodman:** That is very fair. One of the difficulties for a Member of Parliament is finding out exactly what Government Departments are spending. It is incredibly unclear, and Departments' practice of not really answering PQs and treating PQs as a game rather than an opportunity for sharing information is part of the problem. I would have thought that the Government themselves or the Treasury could decide to require Government Departments to publish proper plans that really do show



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where the money is going and what it is being spent on. Couldn't that be done without the setting up of a whole parliamentary committee?

Lord Macpherson of Earl's Court: I think that progress has been made on that front and—

Q54 **Helen Goodman:** Do you? I think that there is less information in the public domain now than there was 30 years ago.

Lord Macpherson of Earl's Court: On actual spending numbers there is more. Your wider point about how parliamentary questions are answered I have some sympathy for. We have had periods where the Treasury has published more. We had a period where Departments were required to publish midyear reports on what they were up to. Unless someone shows interest in them and challenges them, then they make very little difference and there is far less pressure to improve the presentation. A budget committee that said, "We do not want you to report numbers like this. We want you to do it in this way and don't come back until you do" I think would—George Osborne always used to say that he could not understand why officials were bothered by the PAC because the officials always knew far more about the subject than members of the PAC, and you had some briefing that was good but why did officials worry about it, but they do. The one thing that you can guarantee will affect an official's sense of wellbeing is being publicly humiliated by the PAC, so I do think that a budget committee would make a difference.

Q55 **Sir David Evennett:** Lord Macpherson, I thought your written submission was most interesting, having never been on the Treasury or the PAC Committees. I have been on the Education Select Committee. I have two questions. First, the Treasury Select Committee is really respected, highly regarded, and does a tremendously good job. Could a budget committee achieve that same sort of respect or should it be that we have a subcommittee of the Treasury Select Committee?

Lord Macpherson of Earl's Court: I am not expert enough in parliamentary process. A serious subcommittee of the Treasury Committee, with a really good chairperson who would bring commitment to the job, would be a lot better than where we are now. One of the reasons why I am attracted to a separate budget committee is being a member or chair of a subcommittee is not quite as fun and exciting as being chair of a proper committee, which has its own rights. I am agnostic, but I tend to think that, if you want this thing to make a serious difference, it probably does need to be a separate committee.

Q56 **Sir David Evennett:** The other question I have is: obviously, the suggestion was earlier that Select Committee chairs from the other Select Committees would sit on it. The Treasury has an all-embracing power anyway over Government. Surely this is just reinforcing it, because the individual Select Committees would be secondary to a budget committee that they sit on as well. I am a little concerned. A lot of our departmental Select Committees do a really good job, with fantastic chairs and studies



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and so forth. One of the fears is that Treasury is so dominant in government, obviously because of its role, that it would diminish the other Select Committees if that was the case.

Lord Macpherson of Earl's Court: That cuts both ways. If you think that the Treasury is so dominant, quite frankly, the House of Commons should find whatever ways it can to provide more oversight of what the Treasury gets up to. Your other point is a good one. It is probably unrealistic to expect chairpersons of Select Committees to be on this committee, because what will then happen is they will not turn up or they will not be able to devote enough time.

I am more interested in the proposal that I think was in Sir Edward's report, which is a member of a departmental committee becomes the budget committee point person. That will allow liaison both ways. I do not see departmental committees being subordinate any more than departmental committees are subordinate to the PAC, but, if the PAC produces a really good report on Universal Credit, I am in no doubt that that strengthens Frank Field's committee in holding the Department to account.

I suppose what I would be after is that this would provide a better evidence base in both directions. Individual committees might say, "There is something that we really want the budget committee to look at", which cuts across departmental boundaries, but equally the budget committee might say, "We are worried about infrastructure this year and here is some information that the Transport Committee might find useful in its inquiries". For this to work, it does require a degree of co-operation across boundaries.

Sir David Evennett: Yes. That is very helpful. Thank you very much.

Q57 **Chair:** Lord Macpherson, I do not like to create hostages to fortune and I do not want you to. You are not agnostic. You said you were agnostic, but you were not. You clearly stated that you felt this would be more effective if it was a standalone committee and not an adjunct of—

Lord Macpherson of Earl's Court: I was just trying to be helpful to the questioner. I prefer to have a subcommittee than nothing at all and I think that I would like a self-standing committee rather than a subcommittee.

Chair: Yes, brilliant, because I can see a Minister quoting back from the dispatch box in resistance, "Even Lord Macpherson in the other place is agnostic about the form it takes". We do not want to give them an excuse to run it into the long grass.

Q58 **Bambos Charalambous:** You mentioned the good work that the Public Accounts Committee has done on budgets. My question is just about whether you think the budget committee, if formed, should be a permanent committee or whether it should meet for a short period of time or whether, if the budget committee is set up, it would take away



some of the roles and responsibilities of the other committees.

Lord Macpherson of Earl's Court: I would expect some of the work to be quite seasonal. The best time to do this work is when it will make the most difference, which will be in the run-up to and possibly just after a spending review.

The reason that I am quite attracted to its being permanent is that you do want its members to build up expertise in the public spending arena. The problem is if it is ad House of Commons, and on each occasion you have a new committee, there will just be an awful lot of boring technical guff that people will have to assimilate and understand.

I do not want to bang on about the PAC, but I do think that when the PAC has had a chairman who has done the job, say, over a couple of Parliaments, they have been round the block several times and they have often reviewed programmes that have had several so-called senior responsible owners. It reminds me of something that Danny Alexander once said. He was Chief Secretary of the Treasury for five years, which is very rare. By the end, there were certain areas where he felt he knew even more about the programmes than the individual officials, who tended to turn over. In a perfect world, I would like to have parliamentarians on it who were prepared to get stuck in and were interested in the subject and, therefore, could make a difference.

Q59 **Alison Thewliss:** This picks up quite neatly from that. My experience, as a relatively new Member of Parliament and going through the Finance Bill Committee, is that you get the budget with all its excitement and rabbits out of hats and all the rest of it. It would go to the Finance Bill Committee. There was very limited scrutiny in terms of evidence on the measures being proposed at that stage. Sometimes people would send us things and we would have no time to read it in among all the other amendments that had been given. You got to the end of that process with no real sense of whether the measures proposed would be effective, whether the measures proposed last time had been effective, and whether you wanted to continue to do things like particular tax reliefs or things like that. Would your view be that this budget committee would have more of an opportunity to take more evidence, to scrutinise particular measures and to assess the effectiveness of those things?

Lord Macpherson of Earl's Court: Yes and no. Yes in the sense that I think that the budget committee definitely should take evidence. What I would hope is that, year by year, it would prioritise different areas and it would do some serious probing. It would be different from the Finance Bill Committee in that respect. Inevitably, there will be limits to what it can do, which comes back to the wider relationships with the PAC and individual departmental committees. I don't think it can scrutinise every area of spending.

I should say, in parentheses, that it is interesting that you should mention the Finance Bill Committee because you may feel that it is



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inadequate as a process but at least the committee sits 12 times for a couple of hours, whereas on public spending as a whole not even that happens. There is a separate issue about what the medium is by which taxation is scrutinised. For the moment, I would like the budget committee just to focus on spending and, if the Treasury Committee wishes to take more of an advanced role on tax, I think that that would be a good thing.

- Q60 **Alison Thewliss:** On Bambos's point about the expertise as well, the Finance Bill Committee is pretty much just the Front Benches that are saying things on it and moving amendments. Everybody else is writing their Christmas cards or whatever it happens to be, depending on the season. It would be useful to have that pool of expertise, so I acknowledge that point.

I was interested in your recommendation about the impact on devolved areas of Government particularly, and I was wondering how you thought the mechanisms might work between a budget committee here and the counterparts in Scotland or Wales.

Lord Macpherson of Earl's Court: The first thing is that it is really important to not get involved in devolved decisions. There is a clear boundary. However, I do think a Committee like this could look at whether the system and process is working coherently across the board.

Like it or not—and I suspect probably in both our cases not—we are still saddled with aspects of the Barnett formula that inform the distribution of resources. Without having another review of the Barnett formula, I do think to have a Committee that occasionally will step back and look at whether this is working within its own terms would be a good thing. At present, I don't see much of that happening.

Alison Thewliss: I agree that would be useful. The announcement this week of the Towns Fund, for example, had nothing in the Government statement about whether it would be Barnettised or not and no scrutiny behind that. Something that would poke into that a wee bit and look at the effectiveness of announcements made for here on devolved Administrations would be useful.

- Q61 **Bob Blackman:** The current Chancellor obviously has changed the position of saying, "We will have the Budget now in November and a spring statement on spending", broadly speaking, and a catch-up of where Government finances are. One of the reasons for doing that was supposedly to allow greater scrutiny of spending plans. Do you think the proposal, or the actuality now, of the Budget being presented in November makes a Committee like this even more relevant and important, because it would have some degree of time to scrutinise things before spending took place?

Lord Macpherson of Earl's Court: I think it would a bit. I would not want to over-exaggerate the difference. It is an interesting question—we will see the spring statement soon enough—of whether recidivist



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tendencies will kick in and we will start finding that the so-called spring statement has more and more content to it. We did try this once before, Ken Clarke had a unified Budget back in the 1990s.

It is a sensible thing to do. We have far too much theatre around taxing and spending announcements and not enough substance around it. Insofar as this becomes more of an annual event, it gives Parliament a bit more time to do its scrutiny and to come up with its own recommendations.

Q62 Bob Blackman: Given there is a comprehensive spending review, we are told, which will look at finances going forward for three years presumably, do you think the work of such a committee is even more important in the run-up to that spending review?

Lord Macpherson of Earl's Court: Yes, I do, to have a forum where, in public, evidence can be taken on the pressures on public spending. The committee does not need to take some great position on where money should be spent but it could play a really important role in saying, "When we have looked at all the pressures on social care, pensions, demography and so on, we recommend you cannot just carry on cutting the police and the prisons' programme as the last remaining unprotected programmes". Getting some of those trade-offs into the public domain would be helpful.

Q63 Sir Edward Leigh: I have a slightly more technical question. I think a lot of Members of Parliament are confused by the difference between estimates, spending reviews and all the rest of it. We have had evidence from Professor Heald, the OECD, saying that they should be published earlier and made easier to understand, all that sort of stuff. Therefore, if this committee is set up and is to be effective, how is it going to lock-in to the whole estimates procedure and spending reviews, when we have to reform the whole estimates process?

Lord Macpherson of Earl's Court: I still wonder why the estimates process comes so late in the fiscal process. If this committee came into existence I would very much recommend that you look at this with a view to creating a more coherent process, so that this is voted on and looked at in January and February ahead of the financial year. We have a local government settlement at the end of November; it has to be by the first week of December. Why is it that nobody else is required to set out their detailed plans for the year ahead that Parliament can look at? If I had to find an indicator of a lack of power of Parliament on spending it is the fact that we still have this system.

Chair: We will be parking a lot of tanks on a lot of people's lawns going forward.

Lord Macpherson, that was an outstanding evidence session. Thank you for being so straightforward. Nobody watching this will be in any doubt of where you stand on this, you were not opaque in the slightest, so thank you very much.



Lord Macpherson of Earl's Court: Thank you for inviting me. Can I recommend Martin Wheatley who, unlike me, ran a spending team in Treasury? He will tell you all about it.

Chair: Here he is. Martin is next up.

Examination of witness

Witness: Martin Wheatley

Q64 **Chair:** Martin, thank you very much. It is always good to have a Senior Fellow at The Institute for Government here. It does excellent work.

For the sake of this Committee and those millions of people watching, are you in agreement with Lord Macpherson that the current situation is pretty much untenable if we want to be taken seriously as a Parliament?

Martin Wheatley: Yes.

Chair: Right, excellent.

Q65 **Sir Edward Leigh:** You had your sampling of five Select Committees to highlight the lack of detailed financial scrutiny. This is a pretty obvious question, I suppose, but it gives you a chance to tell us something in the round. Why are these departmental Select Committees not undertaking financial scrutiny? I suppose the answer is pretty obvious: they are much more interested in policy than the detailed work. Perhaps you can give us a feel for—where they have managed to get involved in this—what they have done well, what they have done badly, how they have been resourced and how this budget committee could make a difference?

Martin Wheatley: As we said in our second submission, we found a small number of examples. One that is still in progress is the Education Committee, which is looking at school and college spending. It is still at the evidence stage. It has not reported. However, reading the transcripts of evidence, they are calling people in—not from the Department but from the operational end of the schools and college system—and asking questions like, for example: why is it that we are spending more globally on schools, but schools are complaining that they do not have not enough money? That seems to me a good example of the sort of question that parliamentarians ought to be getting into.

Q66 **Melanie Onn:** Lord Macpherson indicated in his evidence session that he has a preference for a standalone committee rather than an adjunct to the Treasury Committee. Do you agree with that or do you have an alternative view?

Martin Wheatley: I agree 100% with what he said, which is that a standalone committee would be greatly preferable because of the status the committee and its chair would have. However, if it was only



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achievable perhaps as an interim step, a sub-committee would be a great deal better than what we have now, which is not much.

Q67 **Chair:** I was talking about this with Sir Edward in the tearoom this morning. Sir Edward is a distinguished former Chair of the Public Accounts committee, which is supported by the NAO. That is right, isn't it, Sir Edward?

Sir Edward Leigh: Yes.

Chair: What about the Office for Budget Responsibility having some function if this Select Committee did appear or was created to support its work, would that work or not?

Martin Wheatley: There are a couple of points there. The first is that the Office for Budget Responsibility is a Government office, albeit with its independence entrenched by some important legal mechanisms. It is not a parliamentary office in the way that the National Audit Office is. Also, its current remit is very focused on looking at economic forecasts, not spending plans in detail. Therefore, not only would its remit need to be expanded to look into spending plans, it would probably need an expanded and different staffing, because economic forecasters are not the people you need to help you understand what is going on in detailed spending plans. You need finance professionals, business analysts and that kind of expertise.

Q68 **Chair:** Professor Wehner—who you may know—gave evidence to us about the fact that we are the only major economy in the OECD that does not have a Parliamentary Budget Office or equivalent. When you look at the staffing of budget offices across the world, we see Australia has 40, Austria eight, Canada 27, Greece 16, I think Ireland 12, Italy 27, Korea 138, Mexico 60, the House of Commons Scrutiny Unit finance team five and the US Congressional Budget Office 235.

There is always a resource issue around establishing new Select Committees. There is a cost. What do you think this Select Committee would require in the way of professional support to be effective? It is broad brush, but where would you be looking?

Martin Wheatley: The international comparisons are probably to be treated with caution. For example, I was talking to the head of the Australian Parliamentary Budget Office recently and it became apparent that it has some of the functions that the House of Commons Library has here for providing Members with general research advice.

I would have thought—just as a finger in the air—that a staffing of 20 to 30 would be the sort of thing that would work. As Lord Macpherson says, there could well be an element of seasonality here, both through the year and also multiyear with perhaps a big increase in workload in the run-up to and in the aftermath of a spending review every three or four years. It might be that the staffing could flex over time or specialist advisers could be brought in at busy times.



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Q69 **Chair:** What I am worried about, having dealt with Government over several of our Committee's recommendations for the best part of nearly seven years, is that when I read in Lord Macpherson's evidence, and you support it, "supported and serviced by a staff of 20 to 30 officials" I can hear the air hissing out of this balloon very quickly. Twenty to 30 would be the ideal situation. If we could not have an ideal, what do you think would be a serviceable situation?

Martin Wheatley: One option is, of course, that there are lots of people outside Government who are developing commentary on this, not least my colleagues in the Institute for Government who produce the regular *Performance Tracker* publication, the *Whitehall Monitor* and so on. Therefore, there is a model in which you would seek to economise on the number of paid staff. Instead of the parliamentary staff doing all the primary research themselves they would act as a link-in to external organisations like the Institute, Full Fact and so on that could provide you with useful information.

Q70 **Chair:** I am going to ask you something—and you do not have to agree to it—would you seek out at the Institute for Government three possible models and supply this Committee with those models? You have obviously given us recommendations, but is some work through models something the Institute for Government would consider doing for us?

Martin Wheatley: We could take that away certainly, yes.

Chair: Thank you.

Q71 **Bob Blackman:** One of the things that you have put in your written evidence was obviously the way the estimates debates work in Parliament and, also, a quick review of how a Select Committee works. I can only speak about the Housing, Communities and Local Government Select Committee, where annually we will look at the budget of the Department and go, "I don't know. I have no idea where that money is being used, whether it is being used properly or not." We look at it in probably one evidence session.

How would you see the interaction of scrutinising different Departments and how they are spending their money with how the Treasury looks at the overall policy—and obviously paying for it, taxation and other means—as well as maybe drilling down into how those Departments are actually spending their money, do you see that interaction happening?

Martin Wheatley: The committee could and should do three things. One is that it should look at how effectively the Treasury and the Cabinet Office—which has a role in this through the Prime Minister's Implementation Unit—manages the system for resource and performance planning across the piece.

Secondly, as Lord Macpherson said, there are big issues that stretch across Government, where Government are spending money, incurring costs. Today's topical issue of knife crime is an interesting one where you have costs and repercussions across lots of different departmental



programmes, so you could see the committee doing excellent work looking at a number of different departmental programmes.

A point that we are finding in current research we are doing about spending and performance is that decisions taken in one part of Government have an impact elsewhere, and the Treasury and the Departments between them are often not as good as they might be in understanding those repercussions and certainly managing them.

Notwithstanding that departmental committees have a role in looking at departmental programmes, I think that the committee also has an important potential role in looking at individual programmes, because they may illustrate important broader points. Lord Macpherson was talking about infrastructure and you could see, for example, how a committee like this could look at infrastructure spending across Departments, but look in quite close detail at each Department one-by-one.

Particularly, if departmental committees lack the expertise or head space to provide scrutiny of spending plans, necessarily on a highly selective basis this committee could be looking at particular plans, certainly, where there was evidence from the PAC and elsewhere that there was a history of poor financial planning and try to make sure that that is not repeated.

Q72 Bob Blackman: Could I pick up on another area, which came as a shock to a number of Ministers, when my Private Members' Bill went through the House and became an Act and a well-known Member observed, "By the way, you do understand that your Department now has responsibility for dealing with people who are rough sleepers?" and I went, "What? We did not know anything about this". Therefore, I think you are quite right in terms of the cross-departmental side of this and the surprise that comes to certain ministries about their responsibility. Do you see a budget committee having a role in that, and how would that interact with, for example, looking at the PAC and other types of committees that look at specific spending programmes?

Martin Wheatley: As someone with a great passion for housing and homelessness issues, I could not agree with you more that homelessness is—like knife crime—another of these issues which is an extremely expensive phenomenon for the Government to deal with. Its causes lie in the action or inaction of lots of different public sector agencies. Its consequences flow on and have implications for other Departments and local government and so on.

Homelessness would be another excellent topic for a committee of this kind to look at: does Government understand what homelessness costs? Do they understand how spending less or more in different areas could reduce homelessness, and what the financial benefits for Government as a whole would be of doing that? Are Government on top of that and, in particular, is the Treasury on top of the system costs and benefits of different courses of action?



Q73 **Bob Blackman:** What would the distinction be between the PAC, which obviously could inquire into certain details about that, and a budget committee? I want to get clear in my mind where you see the differences between the role of the two different bodies.

Martin Wheatley: The Institute for Government is a great enthusiast for the work of the PAC and the NAO. Its strength and its limitation is that it has to look retrospectively at what has happened in a spending programme. The advantage of this committee is that it would look forward and say, "From the evidence we have"—and that evidence could include the previous work of the National Audit Office and the PAC—"do we think that Government have learned lessons from that past evidence in the way they are now framing their plans for the future?"

Chair: For the record, what was the title of your Bill and now Act?

Bob Blackman: The Homelessness Reduction Act. It started out as the Homelessness Prevention Bill but then it was deemed that it would be illegal to be homeless, which they thought would not be a good idea, because we already had the Vagrancy Act. That is another matter.

Q74 **Helen Goodman:** Mr Wheatley, we have been briefed to ask you this question and it is such an extraordinary question I cannot believe it is true. Why do you think officials are the most appropriate witnesses for this Committee? Do you think that officials are the people who the Committee should be taking evidence from?

Martin Wheatley: In our evidence we said that, like the Public Accounts Committee, if it is primarily about the quality of the Government's plans to deliver the policy objectives that have been determined—

Helen Goodman: Okay, you do think that, then?

Martin Wheatley: —if I can finish—the bulk of the evidence from the Government would be likely to come from officials. We also said that from time to time Ministers—and I think principally probably the Chief Secretary of the Treasury here—would also be an important witness for the Committee, because the political drive and impetus for the good management of public money is something that we would suggest parliamentarians ought to be challenging their fellow parliamentarians, who are Ministers, about how they are taking decisions and shaping the system for planning and managing Government spending.

Q75 **Helen Goodman:** That is a very interesting answer. I think this is my week for talking to former colleagues from the Treasury. I spent yesterday morning with Lord O'Donnell in the All-Party Parliamentary Group on Wellbeing Economics. We were discussing implementing a public spending review that took greater account of wellbeing. I want to put it to you that, if we think that things are not being considered quite as broadly or with fresh insight as they might, it would be sensible for the Committee to take evidence from people other than those who are currently cranking the levers in the system.



Martin Wheatley: Certainly, yes. In addition to taking evidence from the Chief Secretary and possibly other Ministers from time to time, it would greatly assist the work of a Committee of this kind to take evidence from leaders in the wider public service, and experts on the particular topics that it happens to choose for its inquiries.

Helen Goodman: Fine. Good. Thank you very much.

Chair: You are a former official, aren't you, Helen?

Helen Goodman: I am a former official as well, yes.

Chair: Does anybody else have a question, before we release our witness? Alison?

Q76 **Alison Thewliss:** Just to ask you about the current estimates process: what you feel the limitations of that are and whether or not those could be addressed by a budget committee?

Martin Wheatley: I agree with the dialogue between Sir Edward and Lord Macpherson just now about bringing forward the Estimates, so that Parliament can apply proper scrutiny to them. That being said, what could a committee usefully do with the Estimates? A few things. First of all, some of the headings in the Estimates are huge. I was looking at the Department for Education estimate this morning and there are £2 billion in there for local authority schools' capital. It is a huge amount of money. What exactly is that being spent on? That is one point.

Secondly, and continuing with that example of schools' capital, what does the Department and the Treasury expect to get for that £2 billion? Of the backlog of maintenance in schools how much of that is going to be addressed by that spending?

Despite recent improvements in the presentation of Estimates, it is often quite hard to track through what the relationship is between different sets of numbers, what is in the estimates for schools' spending this year compared with schools' capital the previous year, why has that gone up or down, how does that relate to numbers that might have been included in the spending review settlement.

I think that, to a far greater extent than departmental committees are able to do at the moment, there is—as Lord Macpherson said—lots of scope for really forensic examination of what is in the estimates to lift the veil on decisions that the Government are taking and may not be choosing to talk about.

Q77 **Alison Thewliss:** Thinking about some of the Estimates debates that we had, I think there was one on mental health, is that right? There was one on something that did not really relate to any kind of lines within the estimates. Is that kind of thing appropriate or does that speak to the need to look at things in a more cross-cutting way?

Martin Wheatley: That raises another important point about the Estimates, which is that they tend to be structured organisationally or by



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public services rather than the outcomes they are trying to achieve. In line with my previous answers, a topic like mental health—where there are costs and spending implications across a number of departmental programmes—you could well see how you could have a really effective inquiry looking at which bits of which Estimate have a bearing on mental health, and is there potentially a better way of allocating resource across Government to get improved outcomes?

Chair: I hope you would agree that at least having Estimates debated on Estimates days is one of the greatest achievements of this Committee in recent times, being the senior committee, I think, of the House of Commons. I always have to put that plug in for our work. Thank you very much, Mr Wheatley, for coming before the Committee. I am sure that we will be calling on your services again in some capacity. Who knows, you might become an adviser to the budget committee? You might be one of its first officers but, until that time comes and until we next see you, thank you very much for the time you have given us.

Martin Wheatley: Thank you, and, on behalf of the Institute for Government, thank you very much for giving us the opportunity to supply you with evidence.

Chair: Thank you.