

Procedure Committee

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

Wednesday 27 March 2019

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Members present: Mr Charles Walker (Chair); Bob Blackman; Bambos Charalambous; Sir David Evennett; Sir Edward Leigh; David Linden; Alison Thewliss.

Questions 119 - 161

Witnesses

I: Kirsty Blackman MP, Shadow SNP Spokesperson (Economy) and Peter Dowd MP, Shadow Chief Secretary to the Treasury.

II: Rt Hon Elizabeth Truss MP, Chief Secretary to the Treasury.

Written evidence from witnesses:

- [Rt Hon Elizabeth Truss MP, Chief Secretary to the Treasury](#)

Examination of witnesses

Kirsty Blackman MP, Shadow SNP Spokesperson (Economy) and Peter Dowd MP, Shadow Chief Secretary to the Treasury.

Q119 **Chair:** Brexit is intruding on the important work of this Select Committee. This is particularly important work about whether there should be a House Budget Committee, as there is across most of Western Europe and the developed world, and the developing world, I seem to recall. You know a lot about this. Tell us what you think.

Kirsty Blackman: I certainly think that the Budget process, as it works in the House of Commons, does not work. To begin with, I have concerns about the way that it is done. Things that I have raised in the past are the number of rabbits that are pulled out of a hat on Budget day. It feels like not enough scrutiny is done in the run-up to the Budget day and the Chancellor pulls rabbits out of the hat—Chancellors of all parties; it is not limited to the current one. He pulls those rabbits out of the hat and then sometimes has to reverse and do a U-turn. I feel like if there was better scrutiny in the run-up to that day, you would have a situation where that would not happen.

Then going on from Budget day, it feels like there is also not enough of a scrutiny process. It would benefit, I think, from Members who are experts in scrutinising budgets—for example, people like those on the Treasury Committee. It seems odd to me that they are the ones who spend an awful lot of time talking about Treasury matters, but then they do not have a formal role in the Budget process in any way, shape or form unless they choose to speak during the course of the Budget.

Q120 **Chair:** Obviously there is room for improvement here. What goes on north of the border in the Scottish Parliament?

Kirsty Blackman: There are a few things—I was having a look at how things are done in the Scottish Parliament and the way that it was set up. The Budget process was set up in the Scottish Parliament in a completely different way from that in Westminster. It was set up on that basis because of concerns about the Westminster process and wanting to do things a bit differently to ensure that there was proper scrutiny. It was set up based on a number of principles, including ensuring that MSPs are all involved, that external scrutiny is brought to bear on the Budget, and that those processes are built into the system.

There has been a change to that process in recent years, and a Budget process reform group was set up. The group included members of Scottish Government and Scottish Parliament staff, but also external experts. They looked at the original principles that the Budget process had been built on, and then they gave recommendations to both the Finance and Constitution Committee and to the Scottish Government on



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how they thought the Budget process could be improved. The changes were necessary because of the new Scotland Act changing the powers of the Scottish Parliament. That is why they were done. The Scottish Government and the Finance and Constitution Committee—which does not have a majority of SNP MSPs on it—both agreed the principles, and the new Budget process was put in place.

Q121 **Chair:** That is important. You have partly answered this, but just to play the devil's advocate—I mean no disrespect at all, but there might be some cynical people out there—what is there to stop the First Minister setting up a Budget Committee and then making sure it is full of likeminded people who share her views on the economy and how money is best allocated across the public sector?

Kirsty Blackman: For a start, that is not how things work in the Scottish Parliament. If you look at the Committee structure in the Scottish Parliament, it is very different to the one here. In the Scottish Parliament many of the Chairs of Committees are not SNP or Government MSPs. You also have a situation in the Scottish Parliament where, because we have a proportional representation system, you do not have the overall majorities that you get here on a regular basis. That has happened once in the Scottish Parliament's history, but it does not generally happen and you have a different balance on the Committees as a result of that. You will often have the balance of power not being with the Government on that basis.

Q122 **Chair:** Final question from me. Who appoints the experts to these Committees? Who decides on what experts from finance and what experts in economics are put forward?

Kirsty Blackman: My understanding is that the Budget process reform group was set up with an agreement between the Scottish Government and the Finance and Constitution Committee about who would be in the remit of that. As I say, it was not just Government who were deciding that, and those recommendations in full were accepted by both of those two groups.

Q123 **Bob Blackman:** Can I just explore further what the impact of the Budget Committee and the process in Scotland has been? Obviously the Scottish Government will have their ideas about what they want to implement in the Budget. Are you aware of any highlights where the Budget Committee has had an impact on the Budget overall, as opposed to just scrutinising and holding the Government to account?

Kirsty Blackman: There is no Budget Committee in the Scottish Parliament as such. There is a Budget process. This Budget process reform group was a Committee set up to reform the process of the Budget, if you see what I mean, rather than to make recommendations in relation to the actual Budget.

What happens with the Budget itself is that a process happens in advance of the Budget being created. This process was not in place before, or it



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did not work very well before, and the Budget process reform group recognised that there was a weakness in that system and wanted to improve it. In advance of the Finance Minister making a draft proposition to Parliament, the Committees all look at their individual Committee budgets and come forward with recommendations, and they can take evidence on those and ensure that evidenced recommendations come forward.

Those recommendations come forward in advance. The key thing for me is that a lot of that scrutiny of proposals is done in advance, and then there is that scrutiny process where the MSPs are involved. One of the principles of the Scottish Budget process is that all MSPs should be engaged in it. It feels very different to the process here, where a very small number of MPs get to speak during any Budget process that we have, and there is no encouragement for Committees to have that level of involvement in advance or indeed after the Budget process.

Q124 Bob Blackman: Is there a process by which the implementation of the Budget is overseen?

Kirsty Blackman: The Budget is done on a very outcomes-based approach. The Budget that is provided to the Scottish Parliament does a number of different things. It talks about the year's spending, but it does not just compare it with last year; it compares it with a number of years in the past so that you do not get short-term thinking. It also looks a number of years into the future. It does all of those things on an outcomes basis and the Committees work on that basis as well. It is not just, "We are putting £300 into here. That is £200 more than we put in last year" it is, "We are putting £300 into here. We expect to see these outcomes as a result of the money that we are putting in and they will be scrutinised through the process by the Committees". Because of the system, the Committees have more expertise and more experience in looking at the budgets, and therefore they are, I feel, better able to scrutinise it than the Select Committees we have here.

Q125 Alison Thewliss: We have talked before about the need for greater transparency around the impact of Westminster budgets on the funding for devolved Administrations. Do you think a Budget Committee might be a useful mechanism for better scrutiny of Barnett consequential of Budget decisions?

Kirsty Blackman: I think it definitely would. I previously sat on the Scottish Affairs Committee, which does see some detail in relation to the Barnett consequential that is provided by the scrutiny unit. In reality, however, that information comes through particularly late. It is not done so much as part of the Budget process as it is part of the estimates process, and there is no direct read-across in the information that parliamentarians are provided with.

If you had either a Budget Committee or better scrutiny by the Select Committees on the Barnett consequential to ask, "How does that work?



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How does this number here that the UK Government are spending on the NHS in England read across to the adjustments to the block grant?" I think that would be better for everybody. It would make it easier for us as parliamentarians to see what is happening, and easier for us to see which decisions are generating Barnett consequentials and which are not.

Q126 Alison Thewliss: Would it be useful for the devolved Administrations to have some input into that kind of process?

Kirsty Blackman: I think it would. If you look at the process in the Scottish Parliament, the Committees are able to take evidence on their submissions to the Budget. Here, if there was to be any pre-Budget scrutiny process, or even a post-Budget scrutiny process, it would be very good for it to be able to take evidence. I have argued a number of times and moved a number of times during the Finance Bill Committee that that Committee should take evidence from experts. We have seen a number of times tax changes that have been made that have not worked, and have needed to be changed in later years. The more evidence we have from people who know what they are talking about, the better decisions we are likely to make.

Q127 David Linden: My suspicion is that, given the evidence that we have received already and the general direction of travel, the Committee would be in favour of having a Budget Committee. I am interested in the consequences of that. The first one would be that the Government have a proposal to reduce the number of MPs from 650 to 600. We already have difficulty filling Committees and making sure people come along to them. Do you think it is compatible with the Government reducing the number of legislators while trying to add an extra Committee?

Kirsty Blackman: That would be a bit of a problem. I cannot imagine that people do not want to come along to the Procedure Committee. Surely you always have a full complement in this Committee.

Given the legislative agenda and the fact that a number of decisions are currently being taken in Europe that the UK Government propose will be taken in the UK in future, and given the additional workload that that will generate for MPs and the additional number of laws that we will be scrutinising here, in addition to the possibility of creating an extra Committee, that would be an incredible increase in the workload of MPs. It is physically impossible to be in two places at once, and given the number of MPs, reducing the numbers further would cause even more chaos, I think.

Q128 David Linden: You might have seen the evidence from the other Select Committees, which are a bit reticent. People feel that we are cutting their grass a little bit. How would you envisage making sure that a Budget Committee does not start straying into matters of departmental policy when it should be focusing simply on the budgetary aspects of it?

Kirsty Blackman: That is quite a difficult one. It is quite difficult to separate the two. The Scottish Parliament goes out of its way to link the



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two and looks at any spending decision in relation to its impact on other spending decisions—it looks at things in the round in a way that we maybe do not do here. If there was a Budget Committee I think it would have a great responsibility and role in pulling all that stuff together, not so much treading on the policy decisions but looking at the budgetary impacts of those policy decisions. I feel that that would be a clear delineation between the responsibilities of the different Committees.

Q129 Chair: Peter has just arrived. Kirsty, do you mind if Peter joins you? It is just because we have a vote at 3.00 pm and it is quite difficult to get witnesses back once they have left this room.

Peter, thank you very much for coming. Kirsty has a bit of a head start on you, but you obviously know what this inquiry is about. Most countries across the Western world, the developing world and the developed world have Budget Committees. The Committee is interested in this. I just wondered very quickly if we could have your views before we ask you a few questions.

Peter Dowd: Thank you, Chair. I am agnostic on it, to be quite honest, in the context of the current system. I read the paperwork and proceedings in relation to this. We have the Public Accounts Committee, which is looking at things retrospectively, and the Treasury Select Committee is looking at things prospectively—it may have gone off-piste a little bit, I suspect, over the past few years. It is not necessarily dealing with budgets, but it is focusing its attention on other matters, financial regulation currently with RBS and so on.

Having said that, I am more of the view that there is a danger we are coming to the position where the Public Accounts Committee does its bit, Treasury does its bit, but we do not think that either of them necessarily are doing what perhaps they should be doing in looking at budgets. It is not a criticism. There is the idea that you then say, "Let us have a Budget Committee to do something that perhaps they, if they were working more proactively and more in synergy, could do themselves". That is why I am agnostic on that particular matter. For me, it is as simple as that.

The other thing we have to ask ourselves is about what powers that Committee would have. Again, I have looked across the world at the various powers, including the United States, where Committees have certainly more powers and they can initiate legislation and so on. It depends how much power, responsibility and resource we want to give to this new Committee. I repeat that if it is just moving the chairs around, basically I do not see the point. If it is having a Committee that has more power, more authority and resource and is looking proactively at things for the future, fine. Possibly it could look at areas—I will finish on this point so you can ask questions—that have been missed out here.

For example, we have 1,300 tax reliefs. I do not think anybody has looked at that. That is literally £400 billion worth of tax reliefs a year. Even when you take out personal tax reliefs and pension tax reliefs, there



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are tens of billions of pounds given in tax reliefs that nobody, including the Treasury and the Office of Tax Simplification, is looking at. There is lots of good work to do, but I do not think that is necessarily getting done. Are we going to give a Budget Committee the power to do that? I am not convinced.

Q130 Chair: One suggestion we have looked at is that the Office for Budget Responsibility, in a sense, could provide it with some resource. In the 2017 manifesto of the Labour Party there was a commitment for the OBR to report to Parliament. Do you see some synergy perhaps in a Budget Committee having a strong relationship with the OBR and in essence the OBR providing the secretariat, the research and the support?

Peter Dowd: Yes, it is an option. I think our view is that the OBR should report to Parliament and not to the Government. That gives you a way in to challenging the Government—whoever the Government is—and the oversight that we should be doing. That was the issue in relation to the Public Accounts Committee. When it was set up almost two centuries ago, it was a very innovative way to look at expenditure. Maybe it is time for an innovative programme as set up by William Gladstone—something as radical and progressive as that. I am not sure we will do that, but I just do not think another Committee doing another bit of the oversight is, per se, the way forward. It might be and that is why I say I am agnostic about it.

Chair: I think Committees, in the main and if given an opportunity, do an extremely good job in this place. It would be another Committee, but it would be a powerful Committee. It would have wide-ranging powers to call for papers. If it was linked to the OBR—I see Kirsty thinking, “This might not be a bad idea”—it would have proper resource to call on. One of the criticisms of the Committee system is that often they are not properly resourced. They do not have the level of resources they require to do a thorough job. Anyway, you have made your point.

Q131 Sir Edward Leigh: Your point about the PAC, having chaired it, is not strictly relevant because the PAC has a very narrow remit. It is post ante, for a start. It does its inquiries on the basis of National Audit Office reports about projects that have already happened, “How did we purchase the aircraft carrier?” or “How did we do all the preparations for the Olympic Games?” The PAC has never, ever looked at the Budget process, and I am not sure it ever could.

As regards the Treasury, the Treasury could of course look at the Budget process, but they have so much to do in terms of macroeconomics, all the consequences of Brexit or any other financial crisis—overseeing the Bank of England, monetary policy and all these things—that in reality they do not have the time. If we did not create a Budget Committee I do not think the PAC would ever or could ever look at the Budget process, and I am not sure the Treasury Committee would ever have a real amount of time.

We have looked at the prospect of having a subcommittee of the



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Treasury, but as in the evidence being given to us, this is important if the Budget process is not being looked at properly by the House of Commons—frankly, we all know it is not. We all know that the Budget happens, that the Finance Bill that goes through the House of Commons is heavily whipped on either side, and not a single amendment is ever accepted by the Government. We know it is fairly formulaic. If the Budget is important, which it must be, given that we are spending £800 billion a year or something, and if the setting up of a Committee could just save 1% of that, that would be a considerable saving. Do you see where I am coming from?

Peter Dowd: Sir Edward, I completely see where you are coming from. The point I was making about the Public Accounts Committee was that it was an innovation in its time. That is the point I am trying to make. Whether retrospectively or not, it is there to look at Government spending. That is the point I am trying to make. The Treasury Select Committee started out in 1979 in a particular way. There was a report or a document written by Saskia Rombach called “The Development of the Treasury Select Committee” and it said how it had moved away maybe from its original remit. Why has that happened? I do not know. Maybe the task was too big for it. I do not know. It is not a criticism, I am just trying to make the point that I am agnostic because unless we are prepared to take a substantive move forward, there is a danger that we will be here in another 20, 30 or 40 years’ time saying the same things.

Can I make a point about the Finance Committee? You are right. I have been on four Finance Committees now and the Customs Bill and you are absolutely right: the Government decide. I am not making a party political point in this, but it is important to say it. Kirsty was on it with me. The Government, outwith the usual conventions, did not allow an amendment to the law in the last Finance Bill. That is unprecedented. If the Government are trying to clamp down on that sort of thing in a Finance Bill outwith a general election, pre or post general election, that is deeply worrying. If we are going to have a Budget Committee, it must not be trammelled over by the Executive. That is the point I am trying to make.

Kirsty Blackman: I agree on the amendment of the law resolution. That is a worrying move by the Government and I hope it does not continue to do that.

I would just like to throw into the mix the shortcomings of the estimates procedure. In the estimates procedure, in February we have a vote on account that does not take into any account what the spending amounts will be. Then in July we have our first vote on the money that began to be spent in April. The estimates process is backwards-looking as well. Then in February we have the final vote on it. The estimates process does not involve adequate scrutiny.

If we have a Budget Committee that gets around the issues of the lack of adequate scrutiny that is provided by any of those three institutions—the



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PAC, the Treasury Committee or the estimates process—that means there can be that deep dive into the finances. Hopefully that will be on an outcomes basis. It should not just be, “We will allocate this amount of money this year” but rather, “Why should we allocate this amount and what will it be spent on? Will it be spent on something useful rather than something frivolous?”

Q132 Bob Blackman: Obviously Kirsty was giving evidence before you arrived, Peter. Could we just be clear what your view is and possibly what the Labour Party’s view is about how the Government’s Budget should be scrutinised by Parliament? You say you are agnostic on a Budget Committee, which is fine, but how do you think that process should be ordered if you do not believe a Budget Committee is the answer?

Peter Dowd: I do not think I said that a Budget Committee was not the answer. What I was trying to say is that I am agnostic about it because history shows that the control by Parliament of, in this case, the £850 million, and the scrutiny of that is not very good. I am open and we are open to suggestions as to how a Committee could operate. As Mr Walker indicated, there are lots of examples across the world of how Budget Committees apply, but we have in this country a different political culture, a different political system, and we have to design a system that steps outside the adversarial party political environment that we operate in. I have been witnessing that in the Chamber for a long time.

It is not that I do not agree with a Budget Committee; I am just not convinced necessarily that we have the wherewithal to do it. If we do, it is going to be a big leap and it is going to be a big leap in the context, as I said before, of the Public Accounts Committee set up by Gladstone—of a paradigm shift. That is my point. A paradigm shift in relation to a Budget Committee is needed. That is the point I am trying to make.

Q133 Bob Blackman: The key point here is the transparency and the examination of Government spending. I just want to be clear. If it is not a Budget Committee, should it be the Select Committees themselves doing this? How would this work, in your view?

Peter Dowd: Let us look at the Select Committees. There is an argument to say that the Select Committees have veered away from doing any budgetary oversight at all. I am not saying they have never done it, but I do not think there is a great deal of evidence for them to do that. It could well be that, on a departmental level, those particular Select Committees do undertake that particular work. It could be that there is a certain amount of co-ordination. However, at the moment they have all veered away from doing work that they could, and I suspect wanted, to do, subject to resource. They could do that, but they have not done it. We have to get across that cultural issue, and have the wherewithal and willingness to hold the Government—whichever Government it is—to account in their expenditure and plans.

Q134 Chair: I think the problem that Governments, and Oppositions who hope



to become a Government have is that the current system works extremely well because there is not a high level of scrutiny. You are being very generous to Select Committees. The reason why most Select Committees do not get involved in looking at budgets is because it is probably too much like hard work and does not get you in front of the TV cameras talking about interesting things such as doping in sport, or why trains cannot see signals—this, that and the other. That is why I think the Committee's direction of travel is that a Budget Committee full of absolute obsessives, crashing bores who love nothing but fine detail, would be wonderful. It would be any Government's worst nightmare, be that the existing Government or a future Government. Is there something in that, do you think, if there is no shame in admitting that Governments do not like too much scrutiny and are not too keen on injecting more scrutiny into the process?

Peter Dowd: This is one of these debates. In the abstract, we all agree that there should be scrutiny, scrutiny, scrutiny, and we all agree that in future we are going to be the ones who will permit that scrutiny. It should not be a question of the Government permitting Parliament to have that scrutiny; it should be Parliament saying, "We do not care what the Government say, we are going to scrutinise it" and setting up and resourcing it appropriately. The US Congress—I grant you a bigger Budget and so on—have, just in relation to their Budget Committee, about 250 staff proactively working on this and we do not. Yes, there is a case to be made for such scrutiny. The question is who does it? How it is done is a moot point. That is why I am agnostic about a specific Budget Committee.

Q135 **Chair:** We are about to have a vote. I would suggest that in times when Governments have majorities they could ensure that such ideas never see the light of day because they use their majorities to vote them down. While we live in a time where there is no majority, in a fractious House and an independent-minded House, perhaps now is the time for us to seize control of this agenda. Kirsty, Peter, thank you very much. I am sorry it is short, but that is not of our making. Thank you.

Examination of witnesses

Rt Hon Elizabeth Truss MP, Chief Secretary to the Treasury.

Q136 **Chair:** Minister, thank you very much. I am sorry that we are a little thin. There are competing distractions—there are SIs going on, there are divisions, and great matters of state are being discussed in the Chamber—but our numbers are increasing all the time. Minister, thank you for your evidence, which we read. We were not surprised by the tone taken. Why do you not think it is an outstanding idea for there to be greater scrutiny of the Budget, to help you make the best and the right decisions?



Elizabeth Truss: I am interested in scrutiny of the Budget. It is a good thing if public spending is under scrutiny and people understand what their money is being spent on. As a Treasury Minister, I am always sceptical of new bodies unless we know that those bodies are going to add value. I said in my letter that I was sceptical rather than opposed, but if I was convinced that such a body could add additional value then I would be in favour of it. What I would observe at the moment is that the Treasury Select Committee is meant to carry out that scrutiny, and there are also of course departmental Select Committees that have that role. However, I agree with you that more scrutiny of public spending would be a good thing.

The one thing I would say, Mr Chairman, is that quite often discussion about public spending tends to turn into a bidding war about spending more money. I would say what I have just said, with the proviso that I would like to see more analysis of value for money and effectiveness and efficiency in terms of that spending.

Q137 **Chair:** Minister, one last question from me and then Sir Edward will join us in the questioning. Do you ever think to yourself as you look down the list of OECD countries, most of which, if not all of which, have a Budget Committee, "Why do we not have one of these? Why is it important to them and not to us?" If you think that, do you ever ask your officials from time to time, "Why do we not have a Budget Committee?"

Elizabeth Truss: We need to develop the best arrangements for the UK. I do not think we should necessarily be a follower of other countries for the sake of it. I know that having those additional Committees has delivered something for those countries. That is what I would be interested in. As I have said, however, just the fact that they have them and we have not is not enough evidence for me that it would be a good thing.

Q138 **Chair:** Has that intellectual curiosity led you to ask the question of officials, "Go and find out what these Budget Committees are doing for all these other OECD countries and inform me as to what they are doing, so we can make a decision as to whether this is a good idea for us to follow, or perhaps it is not a good idea"? That is what I am really asking.

Elizabeth Truss: The area I have been interested in and have made public statements about is the idea of fiscal rules and Parliament being more involved in fiscal policy, which I think is quite interesting. Certainly in other countries that is something that takes place—for example, Chile and Switzerland.

I have not particularly focused my attentions on the Committee structure as I see that as very much a matter for Parliament, but certainly as Chief Secretary I have sought to make more information publicly available—for example, reforming annual Government reports and accounts to make them clearer. The work that we are currently doing, the balance sheet review, is all about trying to get clearer information about what assets



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Government Departments have and how they are using those assets. At the moment that is not a very clear area and it is something that I want to look at for the spending review.

I have seen it as my role as Chief Secretary to try to clear up the landscape of Government and make our internal workings more transparent and more focused on value for money, rather than just accounting or looking at the parliamentary scrutiny side. I would see that more as the role of the Procedure Committee.

Q139 Sir Edward Leigh: In your letter to us, you said, "The departmental Select Committees already hold Departments to account for their existing and future plans or annual accounts of how they spend their budgets." This Committee asked the Institute for Government to examine the five departmental Committees shadowing the highest-spending Departments, which are constantly making your life a misery by their high spending, in terms of how they scrutinise Government estimates. None of those Committees have held hearings on estimates this session, while two have just exchanged correspondence with Permanent Secretaries. You must accept, given that Select Committees are naturally much more interested in policy and are already very busy, that historically and actually they take very little interest in the budgets and the estimates of their Departments.

Elizabeth Truss: First of all, the majority of Government finances are settled at the spending review and I think the most proper time for departmental Select Committees to be conducting that type of analysis is around the spending review. Of course there should be a role as well during main estimates and supplementary estimates, but the reality is that the big decisions are made at the spending review—the Chancellor just announced in his spring statement that we are going to have a spending review that kicks off this summer and completes in the autumn.

I would agree with you, Sir Edward, that in terms of the Committees conducting analysis around the last spending review—Spending Review 2015—I believe it was only the Local Government Select Committee that conducted such analysis and the other Committees did not. As Chief Secretary, I am one step removed from that. I do not have a role in telling parliamentary Committees what scrutiny they should be conducting. The point I would make is that it is around the spending review when the allocations are made. Supplementary estimates and main estimates tend to have less of an impact than the overall spending review. I would certainly concur with you that in terms of whether analysis was going on around the time of the spending review, certainly it looks as if in 2015 there was a limited amount of analysis and probably it was the CLG Select Committee that did the most.

Q140 Sir Edward Leigh: We can agree that the existing Committees are not doing enough work on either the estimates or the spending review. Let us at least agree on that, and acknowledge that they are already very busy and much more interested in policy.



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Let me go on to my next question. You say in your letter, "Separating issues of economy, effectiveness and efficiency from consideration of the merits of a particular policy is to create an artificial and unnecessary distinction for a Committee" but I do not understand why it is not possible to separate scrutiny of efficiency, economy and effectiveness. After all, the Public Accounts Committee has been doing this for 150 years. It is probably the most effective Committee. I have spent 18 years on the Public Accounts Committee and that is what we do. We separate policy from efficiency and value for money.

I am not sure I understand your argument there. The Budget Committee does not need to say—let us take a topical example that was mentioned last week—"We do not think St Helena having an airport is a good idea". That is a policy matter for the Minister. However, we could say that if the Government decide to build an airport on St Helena, it would be no bad thing if they built it in such a way or in such a place that an aeroplane could take off from it.

Elizabeth Truss: There are two points here. One is that the Public Accounts Committee is looking at money that has already been spent, whereas a Budget Committee, in my understanding, would be looking at allocation decisions. Allocation decisions are much more inherently involved in political prioritisation than analysis of whether money has been spent well. I do think there is more potential for overlap there.

This also relates to what the role of Treasury Ministers is versus the role of departmental Ministers. I have been invited to appear in front of departmental Committees to talk about their spending, but I have refused to do so on the basis that I could cut across the departmental Minister and their roles and responsibilities. Although the Treasury has responsibility for managing public money and making sure there is good value for money, it is ultimately departmental Ministers who take those decisions about political prioritisation. That is different from an ex-post analysis where you have already made the allocation decision and it is, "Has this money been spent well or badly on this particular priority?"

It is difficult. I am not saying it is impossible to separate those things out, but there would have to be very careful delineation between what the departmental Select Committee was responsible for and what the Budget Committee was responsible for, otherwise you would end up with quite a lot of duplication taking place. There could also end up being confusion in terms of the role of a Treasury Minister, which is fundamentally an internal function, making sure that good value for money is sought, and organising priorities between the departmental Ministers.

I am not saying that there is no merit in the idea at all. I said I was sceptical; I did not say there was no merit. I do think one of the advantages of a Budget Committee is that they could analyse trade-offs between different areas of spending, but I think we could all acknowledge that trade-offs are fundamentally a political prioritisation issue. There is no objective way to trade off between different Government



Departments. It is fundamentally, "Do you think it is better to spend extra money on health or extra money on education?" One of the things I am looking at in the spending review is how much spending contributes to human capital. If we spent an additional £1 on further education, would that do more to increase people's life chances and opportunities than an extra £1 spent on public health? Those are the types of consideration the Treasury makes, but there is an element of political prioritisation that does not exist in an ex-post analysis, which is what the PAC does.

Q141 Sir Edward Leigh: The Public Accounts Committee is very much the ally of the Treasury. We have done tremendous work in trying to help you save money. For every £1 that the National Audit Office spends, typically it claims it saves £8. All we are suggesting is to create another ally for you. Instead of having departmental Select Committees that are looking at policy, we are talking about a cross-Government Committee in the House of Commons that will help you to scrutinise good value and organising priorities.

May I just say this: there is no element in your argumentation or that of your officials that you do not want anybody else in Parliament muscling in on what you view as your traditional role in the Treasury? You feel that the Treasury is top dog. You are the people who question Departments on good value, priorities and the rest of it. I do not want to put this in a nasty way because I think you have been very creative this afternoon and more open than I thought you might be, and you said you are sceptical, you are not necessarily opposed, and I just wonder whether there is some element of natural defensiveness in the Treasury to anybody coming in on what it views as its traditional role.

Elizabeth Truss: We do have the Treasury Select Committee of course, which does have the responsibility of monitoring public spending decisions. There is already a Select Committee responsible for that. There is an argument—I think this was put forward by Nick Macpherson when he appeared in front of the Committee—that there could be a subcommittee looking at public spending. That could be an option if Parliament felt there was not enough scrutiny of public spending.

The devil is in the detail of this. If the scrutiny was focused on how we get good value for money, how we make sure money is not wasted, how the Government are objectively prioritising, and whether it makes sense, that would be good. However, there is also an element of some Select Committees—not this one—that can be about just asking for more money and increasing the overall level of demand. Some Select Committees have become susceptible to the various vested interests involved in that area, and use it as an opportunity to argue for more public money. It would very much depend on the make-up of that Committee.

Sir Edward Leigh: I agree with that entirely. I will end here, but traditionally I think that by convention and by the rules of the House, when dealing with the estimates the House of Commons cannot increase



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those estimates, they can only cut them. The Budget Committee could not possibly have a remit that means it could suggest spending more money. Anyway, that is the end of my questioning.

- Q142 **Sir David Evennett:** Two questions. Obviously your written evidence was very helpful and we are grateful for that. Apart from your Labour opposite number, you are unique among all our witnesses in being sceptical about having a Budget Committee. That is not unenlightened self-interest, but it is obviously of concern because of the position that you have and that he might have if he was in government. Is it the merits of the policy that you are concerned a Budget Committee will investigate? Is that the real bugbear for you?

Elizabeth Truss: My concern is that I am, in general, in favour of simplicity, fewer bodies, fewer overlaps and less confusion. There are currently 305 regulatory bodies and quangos in this country. I think we have too many of them and that creates a complicated landscape.

If there is a job that Parliament feels is not being done in scrutinising public spending, it is important to ask the question: why is that not happening in the existing Committees that already have that remit? Between the Treasury Select Committee and the departmental spending Committees, as we have outlined, a lot of this work should be being conducted. Part of it may be that people do not find things like the supplementary estimates document that exciting and they might be looking to work on other things. If that is the case, is setting up a new Committee going to solve that problem? I am being sceptical and asking.

This Committee would need to consume more parliamentary resources. It would need to hire economists and accountants to work as part of it. Now, if it were to add value—I am not unpersuaded that there could be some value added—I want to know that that will deliver something. Some of the evidence perhaps you have had from other countries on what added values these Committees provide would be useful.

- Q143 **Sir David Evennett:** That is very helpful. Obviously the departmental Select Committees are not doing this because there are other things they feel are more demanding on their time, policy issues and so forth. As they are not doing it, we do have to look at what possible ways we can get the information scrutinised. I would be quite keen on a subcommittee of the Treasury. Would you be more favourably inclined to that than having a new Committee? The people on the Treasury Select Committee are excellent. They are fantastically good and hardworking and the fact is that they are halfway there because they are already involved in a lot of what the Treasury is doing. Do you think that might be a compromise?

Elizabeth Truss: I certainly think that could help make sure that those spending issues are scrutinised, certainly around times like the spending review, which is the big opportunity for scrutiny, because most of the decisions are made in the spending review and what happens in the subsequent three years are fundamentally adjustments to that. I think



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that could help. It would also help coherence because then it would be part of the overall Treasury Select Committee's plans, rather than having two Committees that are essentially doing different jobs.

I have looked at the US system and the way they manage, and they have a separate Treasury from an Office of Management and Budget. They have a separate function managing public spending from the Treasury, so it makes sense to have separate scrutiny of those items, whereas here the Treasury is a single entity and we have the Treasury Select Committee that shadows it. There is a certain logic in the setup that you could then replicate with a subcommittee. It might well be cheaper as well, which is always a consideration as far as I am concerned.

Sir David Evennett: As always with Treasury Ministers. Thank you very much.

Q144 **David Linden:** Chief Secretary, do you think that the existing Select Committee arrangements are sufficient for scrutiny of Government spending? Is that a fair analysis?

Elizabeth Truss: What I am saying is that I would like to see more scrutiny of public spending across Parliament from a sceptical perspective rather than just the perspective of, "We need to spend more money on this area, we need to spend more money on that area". What I am not convinced about is whether or not a new Committee would deal with that issue, or whether there is a lack of interest from Parliament in detailed analysis of these types of issues. This is my point about being sceptical rather than opposed. If it were felt or if there was evidence that such a Committee could address that issue, and consider whether there is enough detailed scrutiny of spending issues in Parliament—I would frankly say we could do with more.

Q145 **David Linden:** In terms of other Select Committees, when was the last time you appeared before the Home Affairs Select Committee on this?

Elizabeth Truss: I have never appeared before the Home Affairs Select Committee. As I said, I have been invited by some Committees. I was invited, for example, to the Education Select Committee to look at education funding, but I wrote back to the Chairman of the Committee saying that I felt that would cut across the role of Education Ministers because ultimately they are responsible for the allocation within their budget.

Q146 **David Linden:** Have you ever appeared at any Select Committee other than the Procedure Committee and the Treasury Committee?

Elizabeth Truss: I have appeared in front of the Lords Economic Affairs Committee.

Q147 **David Linden:** In your evidence you say that there is no need to go over and above the strengths of the existing scrutiny arrangements. Can you tell us what existing scrutiny arrangements you think are in place—



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Elizabeth Truss: I have just detailed those, but the Treasury Select Committee is the Committee that I see monitoring the work of the Treasury. As I have said, we are open to the idea of a subcommittee looking at public spending. If Parliament was to say, "We want a Budget Committee" that is not something the Treasury would oppose. We would look at that. I just want to provide a dose of scepticism in saying, "Will it deliver anything new given that the Treasury Select Committee already has those functions?"

Q148 **David Linden:** The final question I have: say we indulge your suggestion of having a subcommittee. In one respect that is still an additional Committee that is going to have spaces filled. How would an additional Committee be compatible with the Government's plans to reduce the number of MPs from 650 to 600, when clearly we think that scrutiny should be very important in this Parliament when legislation is coming back from Brussels? How would that be compatible? If you would welcome additional scrutiny, how can reducing the number of MPs be compatible with that?

Elizabeth Truss: I am sure there would still be enough MPs to serve on all those Committees.

Q149 **Bob Blackman:** You have said that you do not appear in front of departmental Select Committees and we understand that. You have been in post for a while. How frequently have you appeared in front of the Treasury Committee? You say that is the Committee to which you report.

Elizabeth Truss: Once.

Bob Blackman: Once?

Elizabeth Truss: Once, and it was on the topic of tax-free childcare.

Q150 **Bob Blackman:** How do you see Parliament holding you to account for the public expenditure decisions that are being made?

Elizabeth Truss: As I have said, I have made one appearance in front of the Treasury Select Committee on a policy topic, and this appearance in front of the Procedure Committee, and I have appeared in front of the Lords Economic Committee to talk about RPI and CPI inflation measures.

Q151 **Bob Blackman:** Earlier you said that Parliament can conduct the scrutiny of the Government's spending plans in the comprehensive spending review.

Elizabeth Truss: Of course there are opportunities. I am not the only person who speaks on Government spending plans because each departmental Minister is accountable for the spending within their Department.

Q152 **Bob Blackman:** You are the one with the purse strings who is going to be putting together the overall Budget and the expenditure.



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Elizabeth Truss: I sign off expenditure beyond departmental spending limits. I speak to Departments about additional funding that might be required, changes in circumstance since the spending review was agreed and so forth, but those discussions are ultimately led by the Secretary of State for those given Government Departments. Ultimately one person has to be responsible and the person responsible, let us say, for the Transport Budget, is Chris Grayling. Yes, I have a role of making sure that we are getting good value for public money, but he ultimately makes those decisions. There is a danger if you try to split off that accountability. The Chief Secretary is fundamentally quite an internal role within Government in making those types of decisions.

What I am appearing in front of this Committee about, and what is relevant, is the overall structure of the way we make those spending decisions, how we are running the spending review, and how we are organising ourselves around things like supplementary estimates. We are reforming the documents that are produced. We are reforming the annual Government accounts that are produced. Those are the types of things that rightly I should appear in front of the Committee on. We are undergoing a zero-based capital review looking at all future Government capital spending and the value for money it represents. Again, I can talk to things like the Green Book, which is the new document we issued for Government investment appraisal. I can talk to those general framework issues, but what I cannot do is talk about whether or not Damian Hinds should be allocating more money to nurseries or further education. That is a matter for him. That is where the division lies.

Q153 **Bob Blackman:** Clearly there is a series of envelopes that build to the overall public expenditure and looking at the different priorities for different Departments. How threatened would you feel in your position as Chief Secretary if you had a Budget Committee overseeing all this and saying, "Come in front of us and account for why you are allocating this much money to this Department and only this much to another Department"?

Elizabeth Truss: I would not feel threatened at all, but it is not just my decision. I have not been through a spending review yet as Chief Secretary. The types of decisions I am making are either approving funds within existing budgets or looking at where additional reserve needs to be made available or additional reforms need to take place. Adjustments of the existing budgets are what I have been doing so far.

In terms of the spending review, ultimately those decisions will be signed off by the Prime Minister and the Cabinet. They are made under the auspices of collective responsibility. Last time there was a Star Chamber process that people will be aware of. When departmental Ministers settled earlier, they would then be part of the Star Chamber. The Chief Secretary organises the processes and conducts the negotiations, but ultimately it is a whole-Government decision about the way the allocations are made



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by Departments. I am a cog in this machine, and it is hard to separate out the specific—

Q154 **Bob Blackman:** Clearly it would not just be you who would be summoned to appear. Potentially it would be the Chancellor, it could be the Prime Minister, as you say, in this whole solution.

How about an agenda for a Committee that said, "Oversight of the comprehensive spending review"? That would obviously take quite a long time because that spending review would take a long time each year looking at the supplementary estimates in some detail and getting into the nitty-gritty of that. That would consume a Committee, I would suggest, on an annual basis for quite a long time, which clearly the Treasury Committee and departmental Committees are not going to do. Do you not accept that that is a role for Parliament to undertake, and that detailed scrutiny needs to be undertaken by MPs with support?

Elizabeth Truss: I understand the Treasury Committee will do work around the spending review. I think the question that this Committee is asking is, "Is that sufficient or does there need to be extra resource?" I am into cost-benefit analysis. I would say, "What is the cost of doing that and what would the benefits be to the management of public money?"

The point I am making there about the way the Treasury operates, the role of the Chief Secretary and the role of the Chancellor, is that ultimately we are part of the Government machine that decides those overall priorities. One of the main things a Government do is determine their priorities through public spending. It is not the Treasury alone. The Treasury is the facilitator of that, but it is difficult to separate out the Treasury role compared with other Departments. A lot of the work we inherently do is quite internal. We have difficult discussions with Departments and I think it is right that we have space to do that and take those considerations, rather than everything being in public.

Q155 **Alison Thewliss:** You have talked an awful lot about the internal mechanics of the spending review and how that might work. What opportunities are open to MPs to involve themselves in the spending review process and have you any particular plans to involve MPs in that?

Elizabeth Truss: I am very keen that we make sure the spending review reflects the priorities of the public. As part of that I am doing a series of visits around the country, getting feedback from the public about what their public spending priorities are. I am very happy to take representations from MPs at this stage, prior to the spending review, in terms of priorities as well. In the case of Scotland, clearly quite a lot of that funding is devolved, but certainly I would be very happy to take representations.

Q156 **Alison Thewliss:** Would you envisage that only the Treasury Select Committee would get any involvement in that? Would there be any debates? Would there be any particular processes for MPs to come along and publicly make those representations?



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Elizabeth Truss: There could be. It would be down to Parliament whether there would be debates on the spending review. I would be open to that.

Q157 **Alison Thewliss:** I am interested in what the procedure would be for taking evidence on the effectiveness of some measures around, for instance, tax rates or things like that. How could the public engage in that directly? Would there be a consultation website? Would there be some kind of thing like that that people could be involved in?

Elizabeth Truss: The tax rates would not be part of the spending review. Those are part of the annual Budget settlement. The spending review will be setting the envelope. The Chancellor has already given out an indicative spending path, which represents a 1.2% real-terms increase over the period of the spending review. The envelope would be set and the spending review is really about allocation within that envelope. The current overall Government spending is £800 billion. The question is about how we allocate that money? Absolutely I am very open to representations on where people think savings could be made and where people think extra resources need to be deployed.

Part of these exercises I have talked about, like the zero-based capital review and the human capital review that we are doing of spending, is trying to look in a different way at departmental spending. It is not just by Department; it is looking at whether we are using all of our capital resource in the best way, and whether we are investing in human capital in a way to have the best possible outcomes for people.

Q158 **Alison Thewliss:** By its very nature, a spending review does not happen that regularly. There are big gaps in between the spending reviews. Would you not agree that some kind of budgetary Committee would look in a more holistic manner, in an ongoing manner, at the effectiveness of different commitments that the Government have made?

Elizabeth Truss: Are you talking about looking at the spending after it has taken place?

Q159 **Alison Thewliss:** For me, everything seems quite piecemeal at the moment. You have a Budget, you have rabbits out of hats, you have news coverage and all the rest of it. You then go to the Finance Bill Committee where things are looked at, perhaps without the opportunity to get lots of evidence around the things that are proposed. Sometimes things come through the Finance Bill Committee, changes are made later on or they are taken out, and there is no proper means of looking in the round at the effectiveness of all of these things on an ongoing basis. It is set around great big events rather than an evenness of looking and scrutiny.

Elizabeth Truss: One thing that we are addressing at the Treasury is that as a country, we historically have not been that good on looking back on spending and saying, "What has been the impact of that?" That is a question I have been asking in the run-up to the spending review.



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Which programmes have worked? Which programmes have not worked? How can we shift resources into areas that are going to have an impact? What is going to impact economic growth the most? Is it investment in roads, is it in fibre, is it in rail? Those are exactly the questions we are asking at the Treasury.

Is there parliamentary scrutiny of that? As I said earlier, there is the apparatus to do that parliamentary scrutiny through the Treasury Select Committee. I cannot say what has happened in previous spending reviews because I was not Chief Secretary at that point. Now is the moment. As I said to Sir Edward, the majority of spending decisions are made at the spending review. What you are talking about, the Finance Bills, is tax policy and determined after the Budget. The tax policy is set on an annual basis whereas the spending policy is set on, generally speaking, a triennial basis. Therefore the period of scrutiny is now through the spending review, otherwise you are talking about the work of the PAC. It is looking at spending that has taken place and whether or not that was effective and good value for money.

Sir Edward Leigh: Lord Macpherson, as you might imagine, as a former Permanent Secretary of the Treasury, was fascinating when he talked to us. He was completely frank in the way that civil servants are only when they have ceased to be civil servants, and he is very much in favour of what we are talking about. I thought that was quite significant. He said, "Where the system tends to break down slightly is when 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".

By the way, I agree with you that it is much more interesting for this sort of Committee to look at spending reviews probably than estimates. I just wonder, given what Lord Macpherson said, whether we are receiving the whole picture in Parliament, and that is fantastically important. We are talking about tens of billions of pounds here, not just a few pence. There are these secret trade-offs going on and I just wonder whether one can argue that there is not a need for Parliament to look into this.

Elizabeth Truss: There are side letters that get signed. Often those relate to uncertain aspects of spending or contingencies where we do not know whether spending will be required, for example, cost share arrangements with the Department for Transport on the basis of exactly what will materialise through the fare box. There does have to be some flexibility, but as I have said, the vast majority is settled at the spending review, and all of those additional side letters that take place will appear in the estimates. That spending will not go unaccounted for. It will appear in due course in the estimates if it crystallises.



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For example, if there is a reserve agreement with the Department for Transport in terms of what the level of fare income is from the rail system and the Treasury gives extra money to the Department for Transport, that will then appear in the estimates. The right time for scrutiny is the estimates, when that money crystallises.

I just wanted to make a further comment, which is about the overall apparatus of scrutiny. One thing that is new is that we now have the Office for Budget Responsibility, which conducts scrutiny. They now produce things like the fiscal risks report, which is talking about the long-term pressures on public finances of things like adult social care, pensions and the health service, and because the OBR has taken up that role the IFS now does a lot of Budget scrutiny. In terms of which organisations and bodies are scrutinising public spending, I would put the IFS quite high on my list. I do not know if you have Paul Johnson appearing in front of this Committee, but certainly there is scrutiny taking place.

Q160 Sir Edward Leigh: I must leave you with one more question. Obviously you are a very effective Minister. I am just trying to butter you up now, in the hope that you might change your mind, but you are, and you are saving a lot of public money. If we are spending £800 billion a year, if this Committee just saves 1% it is worth doing, is it not? That is £8 billion.

Elizabeth Truss: If the committee could be set up on the basis that it would save that amount of money and be rewarded accordingly, then that is an interesting proposition.

Q161 Chair: Minister, thank you very much. The only slight admonishment I would offer is this: your evidence, your letter, was very good, very concise. It is just very important to advise civil servants that when putting together evidence for Ministers, they do not cite busy legislative timetables as a reason for not doing things. This was written in November and nothing was going on in November. It is an often-used excuse, "We cannot do this because it is very busy in the House of Commons and it is all very busy legislatively". I was just hoping we could leave you with the thought that perhaps this excuse would never appear in any document produced by the Treasury again or perhaps, given your reach across all Departments, by any other Department producing evidence for a Select Committee.

Elizabeth Truss: Thank you. I will take that on board.

Chair: Thank you very much, Minister. I hope you have found your visit here enjoyable, rewarding and refreshing. Thank you.