



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

15 February 2019

The Rt Hon Nicky Morgan MP
Chair of the Treasury Committee
House of Commons
London
SW1P 0AA

Dear Nicky

CABINET OFFICE GUIDANCE ON PRE-APPOINTMENT HEARINGS

Thank you for your letter dated 23 January 2019 to Oliver Dowden MP about the revised Cabinet Office Public Appointment scrutiny guidance. I am writing to reply with regard to the specific issues you have raised about the Treasury's appointments to public bodies.

I would like to reassure you and the Committee that the Treasury remains absolutely committed to proper scrutiny of the appointments it makes to public bodies, which is a valuable and important part of the appointment process.

However, that scrutiny must be appropriate and proportionate. The Government's response to the Public Administration and Constitutional Affairs Committee (PACAC) inquiry into pre-appointment scrutiny, and the recently published Cabinet Office guidance, sets out the circumstances in which such scrutiny is appropriate, and the timing of such scrutiny, which may be after the appointment process has taken place.

I understand Oliver Dowden has responded to you about the scope and content of that guidance. But I thought it might also be helpful to reiterate the specific bespoke arrangements we have agreed with the Treasury Committee, and to reassure you that those arrangements have not and will not change in the light of the recent Cabinet Office guidance. These arrangements are as follows:

- The Chair and Members of the Budget Responsibility Committee, whilst not public appointments, are subject to pre-appointment hearings.
- The Chair of the Office for Tax Simplification (OTS) is scrutinised using a bespoke arrangement, allowing the Committee to hold a hearing, after the appointment is announced but before it is formalised. Should the Committee recommend in its report that the appointment be put as a motion to the whole House, the Government is committed to making time for the motion and will respect the decision of the House. These bespoke arrangements are set out in a letter from Jane Ellison, then Financial Secretary to the Treasury, to Andrew Tyrie, then Chair of the Committee, in September 2016.
- The Chief Executive of the Financial Conduct Authority (FCA) is scrutinised by the Committee using the process set out in the Bank of England and Financial Services Act

2016, which gives the Committee time to hold a hearing before the appointee's term begins. Furthermore, in a letter from George Osborne to Andrew Tyrie in April 2016, the Government agreed to a bespoke scrutiny arrangement, which is the same as the process set out above for the OTS Chair. As detailed in the letter, the Government will also seek, in a future Bill, to make a change to the legislation governing appointments to the FCA CEO to make the appointee subject to a fixed, renewable, 5-year term, which would apply to Andrew Bailey's first successor. This appointment is not included in the Cabinet Office list of roles subject to pre-appointment hearings, as it is not regulated by the Office of the Commissioner for Public Appointments (OCPA) and is an executive position.

There are other market sensitive roles that the Treasury Committee have the opportunity to scrutinise after the decision has been made but before the individual has taken up their role. These arrangements have been in existence for many years. They include:

- Appointments made by the Crown under Royal Warrant to the Bank of England Court of Directors.
 - The Governor of the Bank of England.
 - The Deputy Governors of the Bank of England.
 - The Chair of the Court of Directors of the Bank of England.
- Ministerial Appointments to the Bank of England policy committees.
 - Members of the Monetary Policy Committee.
 - Members of the Financial Policy Committee.
 - Members of the Prudential Regulation Committee.
- Ministerial Appointment to the Financial Conduct Authority.
 - Chair of the Financial Conduct Authority.

Finally, with regard to the Chair of the National Infrastructure Commission (NIC). I believe a pre-commencement hearing is sufficient and proportionate given the role of the NIC. As set out in my letter of 15 March 2018, the NIC's role is to provide; impartial, expert advice to the Government on economic infrastructure, but Ministers remain responsible and accountable for decisions taken in this area. The Government believes that ministers must be solely responsible and accountable for appointments to senior public posts like the NIC Chair, and so I remain of the view that I do not believe it would be appropriate or proportionate for the NIC Chair to be added to the list of those roles subject to pre-appointment scrutiny.

I hope this makes clear our existing arrangements and demonstrates our commitment to ongoing scrutiny of our public appointments.



PHILIP HAMMOND