

SUBMISSION FROM THE HOUSE OF COMMONS SCRUTINY UNIT TO THE STANDING COMMITTEE ON ADMINISTRATION AND PROCEDURE, LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

18 May 2009

Introduction

1. The Standing Committee on Administration and Procedure has asked the House of Commons Scrutiny Unit for a submission to its inquiry into “the merit of appointing a Parliamentary Budget Officer to strengthen the capacity of the Assembly to better hold government to account by increasing transparency in its fiscal planning framework and improve scrutiny of the estimates process”. This submission describes the aims, establishment and staffing of the Unit, then focuses on the financial scrutiny aspects of the Unit’s work. If the Committee would like additional information, please do not hesitate to contact us on scrutiny@parliament.uk

The aims of the Scrutiny Unit

2. The main aim of the Scrutiny Unit is to maintain and improve the ability of the House, through its select committees, to perform its scrutiny function. In particular:
 - it supports select committees and other comparable bodies (see paras 22 ff) within the House, mainly but not exclusively in the areas of government expenditure, performance reporting and pre-legislative scrutiny
 - it provides staff for any joint committees of both Houses which may be established to scrutinise draft bills
 - it supports the evidence-taking functions of House of Commons Public Bill Committees.
3. In addition, staff of the Unit provide a general supporting role for select committees, carrying out analytical and other tasks, e.g. when the committees’ own staff teams are over-stretched.
4. In fulfilling its role, it seeks to develop expertise and best practice and improve the quality of its work by developing relationships with relevant organisations outside the House. The Unit does not undertake work for individual Members of the House and with few exceptions its work is not published. It works for committees, and its outputs generally take the form of briefings which are incorporated into the committees’ own output.

The establishment of the Scrutiny Unit

5. Each of the House’s departmental select committees monitors the work of a separate Government department. There are also some committees with an over-arching remit (such as

the Public Accounts and Public Administration Committees.) The main factor driving the establishment of the Scrutiny Unit was a growing sense that these departmental committees did not have sufficient resources to undertake of the two key roles which lay within their remit. One – a historic one – was the scrutiny of Government expenditure. The other was much newer: the scrutiny of bills published in draft by the Government, which have regularly been published for external consultation from 1992.¹ Each committee has its own permanent staff – generalist clerks, specialist researchers and support staff – as well as external Specialist Advisers who provide *ad hoc* advice as and when requested. Few of these staff, however, are financial or legal experts. Hence the need for more expertise to be made available.

6. In 1999, the House of Commons Procedure Committee, in its report on Estimates procedure, concluded that committees should undertake more financial scrutiny, but that in order to do so, they would need extra resources:

“We consider that some extra resources, in the form of high quality and well qualified staff, will be needed if committees are to be expected to undertake more work on the Government’s financial plans”.

The Committee noted that it would be possible to appoint “Estimates advisers” either as a free standing unit or as a small group attached to the Treasury Committee but available to all committees.²

7. The House of Commons Liaison Committee, which comprises the chairmen of all the select committees, pursued this proposal in its 2001 report on select committees. It recommended:

“The Committee Office should establish a unit specialising in public expenditure and pre-legislative scrutiny ... The unit should be of modest size to begin with; its long-term future will depend on the use made of it. Its “engine-room” should be perhaps half a dozen contract staff ... For Estimates work, we think it important that the unit should be able to draw upon the special expertise of the National Audit Office; and we welcome the readiness of the Comptroller and Auditor General to second staff for this purpose ... Secondments from the Research Division of the Library might also be a possibility.”³

8. The Committee argued this approach would allow for flexibility in the deployment of resources, and would maintain a centre of expertise in public expenditure matters complementing that of the Treasury Committee, and readily available to all committees with an interest in public expenditure. The Committee concluded that there would be a year-round

¹ See House of Lords Constitution Committee, 14th report, Session 2003-04, *Parliament and the Legislative Process*, HL 173-I, paras 20-21

² Procedure Committee, Sixth Report, Session 1998-99, *Procedure for Debate on the Government's Expenditure Plans*, HC 295, paras 51-53 www.publications.parliament.uk/pa/cm199899/cmselect/cmproced/295/29502.htm

³ Liaison Committee, First Report, Session 2000-2001, *Shifting the balance: select committees and the executive*, HC 300, paras 76-78 www.publications.parliament.uk/pa/cm199900/cmselect/cmliaisn/300/30002.htm

role for the National Audit Office secondees, and other members of the unit could either help committees which were hard pressed on “conventional” inquiries, or could assist in pre-legislative work.⁴

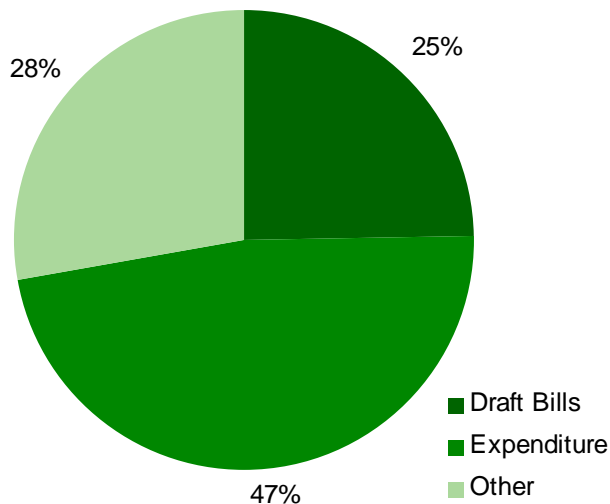
9. On the draft Bill side, the Committee noted that the unit’s work could be twofold: taking some of the weight off the staff of a departmental select committee which found itself landed with a draft Bill in addition to its other commitments; and staffing *ad hoc* pre-legislative committees (or providing the Commons contribution in the case of joint committees). The use of seconded and contract staff would mean that unit staff could easily be redeployed or expanded; “indeed, it could form the basis of a Parliamentary Budget Office as some have advocated. We are sure that it will provide a real - and much needed - enhancement of Select Committee resources at a modest cost”.⁵
10. The House of Commons Modernisation Committee supported the Liaison Committee’s proposals in its March 2002 report on select committees: “We recommend that the House of Commons Commission should make available the necessary funds for a central unit of specialist support staff to be in place in the next financial year”.⁶
11. The House of Commons Commission subsequently agreed to allocate funding for a new central Scrutiny Unit, based in the Committee Office, and the Unit was formally established in November 2002. It started with a fairly small staff, and reached its approved complement of 17 – 10 specialists and seven core staff – by January 2004. The staffing complement was slightly increased in Session 2006-07 to take account of extra work created by the new procedure introduced from that session under which Public Bill Committees may take oral and written evidence.
12. Figure 1 below shows the approximate division of staff time among the main areas of their work.

⁴ Ibid, para 81

⁵ Ibid, para 84

⁶ Select Committee on Modernisation of the House of Commons, First Report, Session 2001-02, *Select Committees*, HC 224-I, para 28 www.publications.parliament.uk/pa/cm200102/cmselect/cmmodern/224/22402.htm

**Figure 1 - division of Scrutiny Unit staff time (%)
2007-08 session**



Source: Liaison Committee, *The work of committees in 2007-08*, Appendix 2

Staffing of the Unit

13. Appointments to the Unit are made by House of Commons management, as with other House staff. There is no involvement by Members. Staff are recruited via secondments from the National Audit Office, Government departments and the House of Commons Library, and through external advertisement. The Unit has always benefited from the wide range of backgrounds and expertise of its staff, and the inter-disciplinary nature of the team.

14. Unlike the leaders of comparable units in some other legislatures, the head of the Unit is not a specialist but a career House of Commons Clerk, invariably with many years' experience in the House service. This reflects a recommendation of the Liaison Committee.⁷ One benefit of this approach is that the head of the Unit can act as a proxy for the "customers" – committee clerks and chairmen – thus ensuring that specialist staff with a less detailed knowledge of the House have an expert source of advice about the kind of products and services those customers really want.

15. The Unit's current staff complement, in addition to the head, comprises:

- a Deputy Head (Finance), a former NAO auditor and qualified accountant
- a Deputy Head (Legislation), a career House of Commons clerk

⁷ Liaison Committee, First Report, Session 2000-2001, *Shifting the balance: select committees and the executive*, HC 300, para 83

- four financial analysts: two auditors on secondment from the National Audit Office, both qualified accountants, and two secondees from Government departments, one of whom is also a qualified accountant and one of whom has special expertise in the Estimates
- two legal specialists (one barrister and one solicitor)
- a statistician/economist on secondment from the House of Commons Library
- an economist (who is also a qualified accountant)
- a Home Affairs/Public Policy Specialist.

In addition, there are six administrative staff (5.5 full-time equivalent), whose main tasks are to support joint committees on draft bills and the evidence-taking work of Public Bill Committees.

16. The Unit also hosts regular internships. Interns are either doctoral students who are funded through the Economic and Social Research Council (ESRC) and who work full-time in the Unit on three month placements, or masters students from the London School of Economics and Political Science (LSE) who work in the Unit for one or two days a week over a period of about three months.

The Unit's financial scrutiny work

17. The rest of this submission focuses on the Unit's financial scrutiny work. The Scrutiny Unit provides a wide range of financial expertise to departmental select committees. It undertakes systematic reviews of:

- Departmental Estimates
- Departmental Reports
- Departmental Resource Accounts
- Government Spending Review settlements.

Following discussions with the relevant select committees, these reviews result in the production of suggested written questions to be put to departments and sometimes briefing for oral evidence sessions. The finance team will often also help draft parts of committee reports on these issues.

18. The finance team also helps out with committee inquiries and reports which have a significant financial element, or where an assessment of financial or expenditure issues is especially relevant.

19. Some recent examples of the finance team's work with committees are given below.

- Treasury Committee (2007-08):
 - ▶ Contribution to briefing for the Committee's inquiries into the 2007 Pre-Budget Report, 2008 Budget, the Comprehensive Spending Review, Estates Management by HM Treasury and the move to International Accounting Standards and PFI accounting.
 - ▶ Assistance with drafting of reports on the administration and expenditure of the Chancellor's departments.
- Environment, Food and Rural Affairs Committee (2007-08):
 - ▶ Support for the Committee's examination of the Department's budget, including analysis of the departmental annual report and work on the Department's wider financial management.
- Transport Committee (2007-08):
 - ▶ Assistance on inquiry and report on the Department of Transport annual report, and briefing for the subsequent debate in the House
- Defence Committee (2007-08):
 - ▶ Assistance with drafting reports on the Ministry of Defence Estimates
- Science and Technology Committee (2006-07):
 - ▶ Analysis of the economic arguments for space exploration.
- Home Affairs Committee (2006-07):
 - ▶ Analysis of police funding issues.⁸

20. The Scrutiny Unit also works with select committees in pressing departments to improve the quality of the financial information they provide to Parliament. For instance, it was an initiative of the Unit which led to a recommendation that departments publish memoranda alongside their Estimates, explaining more clearly the impact of the Estimate. This was taken up by HM Treasury, and Estimates memoranda are now a regular feature of the Government's financial reporting to Parliament.⁹ More recently, the Unit contributed to revised Treasury guidance seeking to improve further the quality of the memoranda.

⁸ See the reports on the work of the Scrutiny Unit submitted each year to the Liaison Committee, and published with the Committee's annual report on the work of committees. Available at www.parliament.uk/parliamentary_committees/liaison_committee.cfm

⁹ See e.g. Liaison Committee, Third Report, Session 2005-06, *Estimates Memoranda*, HC 1685

21. The Unit aims to improve the quality of financial scrutiny through compiling examples of best practice, in relation, for instance, to Departmental Annual Reports and Estimates memoranda relating to supplementary estimates. Some of this analysis is published on the Unit's website, such as the Unit's annual review of all departmental annual reports. From time to time the Unit also produces stand-alone pieces of analysis, e.g. on the rationale and accounting treatment of the Private Finance Initiative in 2008. These documents are also published on the Unit's website: www.parliament.uk/scrutiny

Other financially-related work

22. The Unit's finance team also assists other bodies within the House on expenditure matters. For example, in 2005-06 it conducted a review of the Electoral Commission's financial and performance management on behalf of the Speaker's Committee on the Electoral Commission. Subsequently it has advised the Speaker's Committee in the Committee's annual consideration of the Commission's spending plans and Estimates. As part of this work, the Unit has also been able to give advice to the Commission itself on the preparation of its estimates, etc.

23. Members of the finance team also support committees considering draft Bills. The main work in this field is analysis of the Impact Assessments (IAs) which departments are obliged to publish alongside draft Bills. This includes consideration of the robustness of the cost-benefit analyses included in the IA. A recent example of such an analysis can be found in the report of the Joint Committee on the Draft Marine Bill published in 2008.¹⁰

24. The finance team also supports the Parliamentary Observer on the UK Financial Reporting Advisory Board and co-ordinates the House's input to Treasury reviews of Government Accounting and the structure and content of Estimates, Accounts and Departmental Annual Reports. In this capacity the Unit has provided support to the Liaison Committee in its inquiry into financial scrutiny by Parliament, and in its consideration of recent proposals from HM Treasury to reform the system of financial reporting to Parliament.¹¹

Training

25. An important aim of the Unit since its inception has been to providing training in financial scrutiny issues. Examples include workshops for committee staff on using statistics in reports, and training events for House staff (including Members' staff) to help improve their understanding of Resource Accounts and of the Treasury's proposed changes to the Government's financial reporting to Parliament. The Unit has also discussed its reviews of departmental annual reports with groups of departmental officials involved in the drafting of such reports, as part of its role in sharing good practice. The Unit has also published a booklet

¹⁰ See www.publications.parliament.uk/pa/jt200708/jtselect/jtmarine/159/159i.pdf

¹¹ See Liaison Committee, Second Report of Session 2007-08, *Parliament and Government: Recreating Financial Scrutiny*, HC 426

for Members and staff on financial scrutiny, *Financial scrutiny uncovered*. This is also available on the Unit's website: www.parliament.uk/scrutiny

What the Unit does not do

26. It may be worth making clear what tasks the Scrutiny Unit does *not* undertake, unlike some comparable units in other parliaments:

- Costing Government legislation (although as noted above, the Unit does analyse Government Impact Assessments published with draft bills)
- Reviewing Budget assumptions (these are audited by the National Audit Office)
- Scrutinising fiscal policy (this is done by the Treasury Committee)
- Auditing the accounts of central government and other public bodies and producing reports on the economy, efficiency and effectiveness with which they have used public money – this is the role of the National Audit Office.

Assessment of the Unit's performance

27. Commentators within and outside Parliament have noted the positive impact of the Unit's work. Select committees themselves regularly refer to the value they place on advice received from the Unit. For example:

- Transport Committee: "significant help"
- Work and Pensions Committee: "invaluable support"
- Justice Committee: "invaluable help".¹²

The Liaison Committee has noted the "important added value" which the Unit has brought to the work of committees: "The ability of select committees to conduct effective financial scrutiny has been greatly increased by the establishment ... of the Committee Office Scrutiny Unit".¹³

28. The Hansard Society for Parliamentary Government, in its 2006 report *The Fiscal Maze*, refers to the establishment of the Unit as a "major advance" which has had a "positive impact":

"a greater number of select committees produced reports on expenditure related issues than had previously been the case ... The Scrutiny Unit is able to take an overview of the

¹² Refs – Liaison Committee 2007 & 2007-08 work of committee reports

¹³ Liaison Committee, Third Report of Session 2007-08, *The work of committees in 2007*, HC 427, para 95; Second Report of Session 2007-08, *Parliament and Government: Recreating Financial Scrutiny*, HC 426, para 85

quality of financial performance and reporting across the full range of Government activity”.¹⁴

29. The contribution of a separate or semi-separate body such as the Scrutiny Unit to promoting greater scrutiny of expenditure in any system will inevitably depend on the rest of the scrutiny structures and practices in place in the legislature, and—importantly—on the priority which Members are in practice willing to accord to such activities. But it is almost certainly the case that, in the context of the British House of Commons, the select committee would find it difficult to carry out detailed financial scrutiny work, based on examination of government financial documents, without either making use of the services of a Unit along the lines of the SU or displacing other work to which they accord a higher priority.

¹⁴ Hansard Society, *The Fiscal Maze: Parliament, Government and Public Money*, 2006, p. 69