

Finance Committee

Review of the Budget Process

Additional submission from the House of Commons Scrutiny Unit

What expert advice and support exists to support committees/legislatures in scrutinising government/executive budgets? (i.e. is there a separate budget office, a team of in-house researchers etc.)

1. Each committee of the House of Commons has its own permanent staff of generalist clerks, specialists and support staff – as well as external Specialist Advisers who provide *ad hoc* advice as and when requested. In addition, the central Committee Office Scrutiny Unit provides expert advice and assistance to all committees, mainly in the fields of financial scrutiny and scrutiny of draft legislation. About 170 staff (FTE) work directly for select committees in the Committee Directorate of the Department of Chamber and Committee Services (DCCS).¹ Staff in other parts of DCCS also support committees as part of their work.
2. Committees can also draw on assistance from research staff in the Department for Information Services, although their principal focus is support for individual Members; from the Parliamentary Office of Science and Technology (POST); and from the National Audit Office (NAO), which in recent years has expanded its work for Parliament beyond its traditional role supporting the Public Accounts Committee.
3. Given the Finance Committee's interest in the question of a separate budget office, or similar, the rest of this response focuses mainly on the work of the Scrutiny Unit, and within that on its financial scrutiny work. It should be borne in mind, however, that the Unit works very closely with committee staff, seeking to meet the needs of individual committees. It does not operate separately from the House service, as is the case for some other comparable bodies.
4. 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. Its specialist staff complement the work of subject specialists who work for individual committee teams. In particular, the Unit:
 - supports select committees and other comparable bodies within the House, mainly but not exclusively in the areas of government expenditure, performance reporting and pre-legislative scrutiny
 - provides staff for any joint committees of both Houses which may be established to scrutinise draft bills

¹ Sessional Returns, 2007-08, HC 1, pp 300-302

- supports the evidence-taking functions of House of Commons Public Bill Committees.
5. 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.
 6. In fulfilling its role, the Unit seeks to develop expertise and best practice and improve the quality of its work by developing relationships with relevant organisations outside the House. It 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 work.

What sort of output is produced in terms of advice to committees?

7. The Scrutiny Unit finance team undertakes systematic reviews for committees 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.

8. The finance team also helps out with other committee inquiries and reports which have a significant financial element, or where an assessment of financial or expenditure issues is especially relevant.
9. 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 officials involved in the drafting of reports, as part of its role in sharing good practice.
10. The Unit's work is not generally published, as it is provided to committees and forms part of their overall briefing. However, the Unit does publish some analysis on its website, including annual reviews of all departmental annual reports and occasional papers on subject such as rationale for and accounting treatment of PFIs. The Unit has also published a booklet for Members and staff on financial scrutiny, *Financial*

scrutiny uncovered. This is also available on the Unit's website: www.parliament.uk/scrutiny

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

- Costing Government legislation (except for analysis of the impact assessments published with draft bills subject to pre-legislative scrutiny by committees)
- Reviewing Budget assumptions (these are audited by the NAO)
- Scrutinising fiscal policy (this is done by the Treasury Committee, which has its own financially expert staff).

How and why were the present arrangements established?

12. Each select committee has its own permanent staff – generalist clerks, subject specialists 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 experts; hence the need for more expertise in this field to be made available, especially given the growing desire for more financial scrutiny to be undertaken. In 1999, the Procedure Committee concluded that committees should undertake more scrutiny of the Government's financial plans, and needed more resources to do so, in the form of "high quality and well qualified staff". 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

13. The Liaison Committee, which comprises the chairmen of all the select committees, pursued this proposal in 2001. 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

14. 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 finance. The Committee concluded that there would be

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/cmliains/300/30002.htm

a year-round role for the NAO staff, 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

15. 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

16. 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

17. 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 under which public bill committees may take oral and written evidence.

18. The Unit’s current staffing is as follows:

- a head of Unit (a career House of Commons clerk)
- a Deputy Head (Finance), a former NAO auditor and qualified accountant
- a Deputy Head (Legislation), a career House of Commons clerk
- 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 (also a qualified accountant)
- a Home Affairs/Public Policy Specialist.

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

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.

What would you see as the advantages and disadvantages of your current system?

19. 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, referring to the "significant help" and "invaluable support" they have received.⁷ 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".⁸ One particular advantage of the current structure is that Unit staff are institutionally (and indeed physically) close to committee staff, which makes understanding what the "customer" wants, and responding to those needs, easier than might be the case if the service were provided by a wholly separate body.

20. 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 quality of financial performance and reporting across the full range of Government activity ... It has played an important part in increasing financial expertise and giving the subject greater prominence within Parliament".⁹

21. The main criticisms of the Unit – as of select committees' staffing in general – is that it is not large enough to carry out all the tasks that some commentators feel Parliament should be doing. The Hansard Society argues that the Unit is a "basic model" on "a relatively small scale", and raises the question whether "a larger body, with more capacity and the potential for further detailed work, would enhance Parliament's ability to hold government to account in this area". The Society recommended that the work of the Unit should be built, for instance through the establishment of a Parliamentary Finance Office which would provide comprehensive support on all financial matters to individual parliamentarians and select committees.¹⁰

⁷ Liaison Committee, Third Report, Session 2007-08, *The work of committees in 2007*, HC 427, para 95; First Report, Session 2008-09, *The work of committees in 2007-08*, HC 291, para 114

⁸ Liaison Committee, Third Report, Session 2007-08, *The work of committees in 2007*, HC 427, para 95; Second Report, Session 2007-08, *Parliament and Government: Recreating Financial Scrutiny*, HC 426, para 85

⁹ Hansard Society, *The Fiscal Maze: Parliament, Government and Public Money*, 2006, pp. 69-70

¹⁰ *Ibid*, p 70

22. The Liaison Committee, in its 2008 report on financial scrutiny, argued for greater financial scrutiny of government by committees, with implications for the Unit:

“The Unit is on a very small scale compared to the Government Accountability Office in the United States, but it operates in a completely different system. This Report seeks to increase the amount of financial scrutiny undertaken by select committees, and implementation of its proposals would probably increase the need for specialist advice and also change the nature of the advice required. Less time would be spent merely interpreting what the Government's reporting documents are saying, and more explaining the significance of what they contain. More significantly, greater expertise would be needed in the scrutiny of budgets and budget management, including expertise relating to the setting and profiling of planned expenditure and outcomes, activity-based costing and analysis of variance between planned and actual spending.”

The Committee notes that this “points to an enlarged Scrutiny Unit”; it recommends “incremental growth” in respond to demand.¹¹

In general terms, how much does your current system cost to run, if that information is available?

23. There is no separate budget for the Scrutiny Unit, which for administrative purposes is part of the Committee Directorate. The table below gives the pay ranges for the specialist staff in the Unit’s finance team.

Grade	Pay range (at 01.04.09)	Number of staff in pay band
A2	£44,850-60,054	6
B1	£33,354-41,570	1

Information about the costs of select committees is contained in the Sessional Returns and the annual reports of the Liaison Committee on the work of select committees.

What access do budget advisers/researchers have to government-held information?

24. Select committees have power under the House’s standing orders to send for “persons, papers and records”. Staff working for committees, including staff in the Scrutiny Unit, have no special access separate from that of the committees to government-held information. In its 2008 report on the work of select committees, the

¹¹ Second Report of Session 2007-08, *Parliament and Government: Recreating Financial Scrutiny*, HC 426, paras 85-86

Liaison Committee commented that “fewer committees reported significant problems this year [2007] in obtaining information from the Government”.¹²

25. In practice, if a committee seeks further information on figures in the published documents or further commentary on policy—whether via officials or via a more formal request in a letter from the chairman—most Government departments will readily respond. But it should be noted that this does not represent the same level of access to the Government’s books as is available to the NAO.

¹² Liaison Committee, Third Report, Session 2007-08, *The work of committees in 2007*, HC 427, para 84