

Submission

No 4

PARLIAMENTARY BUDGET OFFICE

Organisation: UK House Of Commons Scrutiny Unit

Name: Mr Chris Shaw

Position: Head, Scrutiny Unit

Date Received: 16/08/2011

SUBMISSION FROM THE HOUSE OF COMMONS SCRUTINY UNIT TO THE JOINT SELECT COMMITTEE ON THE PARLIAMENTARY BUDGET OFFICE FOR THE PARLIAMENT OF NEW SOUTH WALES

Introduction

1. The Joint Select Committee on the Parliamentary Budget Office has invited submissions into its inquiry on the New South Wales Parliamentary Budget Office that was established under the Parliamentary Budget Officer Act 2010. This submission focuses on the third section set out under the terms of reference and describes the establishment, functions, structure, staffing, resourcing and assessment of the House of Commons Scrutiny Unit in the UK Parliament.

The establishment of the Scrutiny Unit

2. 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 or expertise to undertake one of their three key roles – the scrutiny of Government expenditure. There was also a need to provide resources for the scrutiny of bills published in draft by the Government, which have been increasingly subject to scrutiny by separate committees established for the purpose.¹ Each such 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.
3. 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”.
4. 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
5. 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:

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

“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

6. 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 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
7. 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
8. 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
9. 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 Public Bill Committees being able to take oral and written evidence and has fluctuated slightly since then.

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

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

The functions of the Scrutiny Unit

10. The main function 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- and post legislative scrutiny
 - Provides staff for any joint committees of both Houses which may be established to scrutinise draft bills
 - Supports the evidence-taking functions of House of Commons Public Bill Committees.
11. In addition, when there is capacity, staff of the Unit provide a general supporting role for select committees, carrying out analytical and other tasks when the committees' own staff teams are over-stretched. The Unit also provides support for the Liaison Committee, which consists of the Chairs of the main select committees.
12. 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, and in particular the UK Treasury. It does not undertake work for individual Members of the House and with a few exceptions its work is not published. It works for committees, and its outputs generally take the form of written briefings used by committees in their own work.

The Unit's financial functions

13. The Scrutiny Unit provides a wide range of financial expertise to departmental select committees. It undertakes systematic reviews of:
 - Departmental Estimates
 - Departmental Annual Reports
 - Departmental Resource Accounts
 - Departmental performance information
 - Government Spending Review settlements.
14. Following discussions with the relevant select committees, these reviews usually result in the production of suggested written questions to be put to departments and

sometimes oral briefings in advance of evidence sessions. The finance team will often also help draft parts of committee reports on these issues.

15. 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. During 2008–09, the finance team provided briefing for committees on the Main and Supplementary Estimates (including analysis of departments' Estimates memoranda), Resource Accounts, Autumn Performance Reports and Departmental Annual Reports (DARs) of all the major Government departments. Departmental select committees held evidence sessions on their departments' DARs, and the Unit provided briefing for, and otherwise supported, many of those hearings.
16. 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 different subjects. The Unit has also published a booklet for Members and staff on financial scrutiny, *Financial scrutiny uncovered*, and a note on Financial accountability and scrutiny which provides the latest guide to the role of Parliament in scrutinising public expenditure planned and incurred by the Government. These documents are also published on the Unit's website: www.parliament.uk/scrutiny.

Other financially-related work

17. 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.
18. Unit staff have continued to provide support for the Liaison Committee's work. In particular, the Unit's finance team made a significant contribution to the Committee's financial working group on the Treasury's alignment project, which has simplified the presentation and publication of public expenditure information.⁷

Training and sharing best practice

19. An important aim of the Unit since its inception has been to provide 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 financial scrutiny, statistics, Resource Accounts and of recent 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 for Members and staff on financial scrutiny, *Financial scrutiny uncovered*.

⁷ For more details on The Alignment Project see House of Commons Library Note, July 2010, *The Clear Line of Sight (Alignment) Project*, SN/EP/5617
<http://www.parliament.uk/briefingpapers/commons/lib/research/briefings/snep-05617.pdf>

20. There has been considerable interest shown from overseas parliamentary visitors to Westminster in the House's system of financial scrutiny as well as the work of select committees and of the Scrutiny Unit itself. Staff have given talks to, or attended meetings with a large number of visitors from a range of countries. The Head of the Scrutiny Unit in the Scottish Parliament visited the Unit immediately prior to its establishment in October 2009. The Head of the Unit has given evidence to a committee of the Northern Ireland Assembly on proposals to establish a similar unit there and Unit staff have assisted with the establishment of a scrutiny advisory unit in the Lebanese Parliament.

Functions the Unit does not do of other comparable offices in other jurisdictions

21. 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.

Structure, staffing and resourcing of the Unit

22. 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 interdisciplinary nature of the team.
23. 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 accords with a recommendation of the Liaison Committee.⁸ 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.
24. The Unit's current staff complement, in addition to the Head, comprises:
- A Deputy Head (Finance), seconded from the Department of Health;

⁸ Liaison Committee, First Report, Session 2000-2001, *Shifting the balance: select committees and the executive*, HC 300, para 83

- Three financial analysts: one auditor on secondment from the National Audit Office, and two secondees from Government departments;
- Two legal specialists (one barrister and one solicitor);
- Two economics specialists: one economist/statistician and one economist/financial analyst.

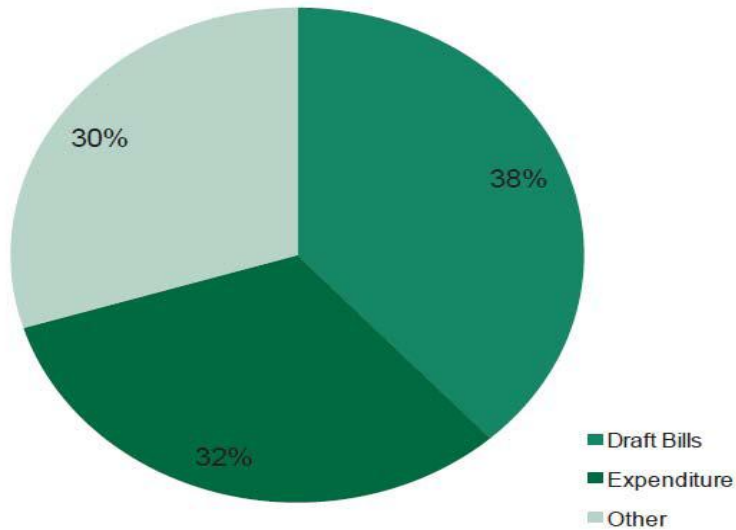
In addition, there are six administrative staff (5.5 full-time equivalent), whose main tasks are to support joint committees on draft bills and the evidence-taking work of Public Bill Committees.

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. There is no separate budget for the Scrutiny Unit, which for administrative purposes is part of the Committee Directorate.

Division of staff time

25. The Scrutiny Unit maintains comprehensive management information in order to help inform the allocation of resources and the recruitment of staff. The number of tasks staff undertake for each committee are recorded, along with the time spent on each task and the broad category into which they fall— expenditure-related tasks, scrutiny of draft bills or “other”. (“Other” includes work in support of Public Bill Committees.)
26. Figure 1 below indicates the division of staff time within the Scrutiny Unit during the session 2008-09. Some 38% of time was spent on draft bills, 32% on expenditure-related tasks, and 30% on “other” activities.

Figure 1- Division of Scrutiny Unit Staff Time (%) 2008-09



Source: Liaison Committee, *The work of committees 208-09, Appendix 2*

27. The way in which the Unit's resources are deployed has changed since it was established in November 2002. Figure 2 below shows how expenditure and "other" tasks have increased in importance since the 2003-04 session (the first for which details are available). The change in types of work reflects the variation in the numbers of draft bills published by the Government each session which have varied between three and twelve since 1997-8.

Figure 2- Division of Scrutiny Unit Staff time by session



Assessment of the Unit's performance

28. 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.⁹
29. 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".¹⁰ 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.
30. 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".¹¹
31. 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.¹²
32. 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,

⁹ 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.

¹⁰ 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

¹¹ Hansard Society, *The Fiscal Maze: Parliament, Government and Public Money*, 2006, pp. 69-70

¹² *Ibid*, p 70

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 response to demand.¹³

Conclusion

33. The key building blocks underpinning an effective Scrutiny Unit in the House of Commons are the maintenance of a multi-skilled and flexible workforce and the nurturing of good relations with select committee Clerks. Staff need to be able to respond to the varied and changing nature of requests – often made at short notice – from committees for financial and other support. In an environment of unpredictable patterns of demand, the management of demand and provision of surge capacity is a particular challenge, but it helps that any requests from Members need to be filtered through their committee Clerk. The use of secondees and interns helps to provide a measure of flexibility. This is being enhanced by the establishment of strong links with outside organisations willing to provide temporary staff resources in order to meet specific peaks of demand. In respect of financial scrutiny, the establishment by the finance team of close relations with the Treasury officials responsible for implementing reforms has helped ensure that the views of select committees are taken into account in the development of a new financial reporting framework.

House of Commons Scrutiny Unit

August 2011

¹³ Second Report of Session 2007-08, *Parliament and Government: Recreating Financial Scrutiny*, HC 426, Paras 85-86