Thank you for asking us to submit evidence to your inquiry into the possible creation of a House of Commons Budget Committee, where you have asked us about the role of the Office for Budget Responsibility (OBR) in relation to a parliamentary budget office (PBO) or similar source of institutional support. This is not a topic on which the OBR has a ‘house view’, but I am happy to offer some personal reflections.

A number of witnesses to your inquiry have noted the UK Parliament is unusual in not having a dedicated Budget Committee and they believe that this would help improve the development and scrutiny of public expenditure plans. As they point out, the impact and usefulness of such a committee would depend importantly on whether the parliamentary timetable for spending decisions and scrutiny would allow meaningful interventions before plans are set in stone.

Looking across countries, there is no ‘one size fits all’ solution to budget scrutiny and any change here would need to be part of a broader consideration of the role of the Public Accounts Committee, the Treasury Committee and departmental select committees. It would be desirable to have well-defined areas of responsibility and transparent arrangements for collaboration, while minimising overlap.

Given the range of topics that a Budget Committee would be likely to have to deal with, expert analytical support would be essential. As a couple of witnesses have suggested, the obvious thing to do would be to expand and increase the resources of the existing Scrutiny Unit – and indeed to make more effective use of its existing work. Whether it could or should become a full-blown PBO would depend in part on the extent to which you wish it (and also the committee) to examine proposals from other parties and parliamentarians or just those of the government. The former would obviously require significantly more resources, as overseas counterparts demonstrate.

As with the committees, it would be desirable to minimise unnecessary overlap between the work of the enhanced Scrutiny Unit and the OBR and to think about how they should cooperate. This need not be problematic.

Parliament created the OBR to enhance overall fiscal transparency, to monitor the government’s fiscal objectives and to produce regular medium-term forecasts and long-term projections for the public finances. Given the unique way in which we produce forecasts and scrutinise policy proposals while Budgets and other fiscal events are in preparation, we are sensibly jointly accountable both to the Executive and Parliament – and in the latter case particularly the Treasury Committee.

But, in producing our forecasts, we do not look in a detailed bottom-up way at the components of spending covered by Resource and Capital Department Expenditure Limits – spending on public services, administration, grants and investment. For our purposes it makes more sense to look at these in the aggregate and to assess whether and by how much the total limits will be over or under-spent. And of course – given our remit – we focus on how much is likely to be spent, rather than on whether it is being spent in the right places or in a way that offers good value for money.

The Budget Committee and the enhanced Scrutiny Unit would presumably focus much more on allocations within the aggregate DEL limits and how spending evolves after the limits are set. This is obviously of particular importance at the time of Spending Reviews, when DEL allocations are made for multi-year periods. It would doubtless be useful for the OBR and the enhanced Scrutiny Unit to
share their assessment of spending developments, but this would not seem to involve unnecessary duplication.

In principle, the enhanced Scrutiny Unit could also be asked to produce fiscal and economic forecasts and to look at tax and welfare spending measures – overlapping more with our role. Having a fresh set of eyes to look at the same issues has its attractions, but it is not clear it would be a sensible use of resources. In particular, having an additional customer to satisfy would place even greater strain on the already stretched expert analysts with whom we work in HMRC and DWP. This would be even more the case if they were asked to help assess the cost of non-government proposals. This could pose a significant threat to the quantity and quality of information that we are able to access in producing our published forecasts and analysis of policy measures.

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