Written evidence submitted by Angela Eagle MP (CBC 20)

The Current Problem

1. There are currently significant shortcomings with Parliamentary scrutiny and oversight of public spending in the UK. There have been a number of reforms and improvements to the processes for Parliamentary oversight and for reporting of public spending. During my time as Exchequer Secretary, I was involved in the ‘clear line of sight’ project which looked to create a simple and more transparent system, so that the estimates encompassed all of the expenditure rather than only some of it.

2. The House of Commons debates the Budget, The Finance Bill Estimates and the Spending Review, but time for these debates is limited, and as the House of Lords does not have a say in financial matters, it is important that there is proper and thorough scrutiny in the House of Commons.

3. The Treasury Select Committee and the Public Accounts Committee both do important work, and it is crucial that any new committee that is set up does not duplicate this. However, neither committee has a specific and specialist focus on scrutinising Government spending going forward. The Public Accounts Committee looks retrospectively at whether Government policy has translated into results, and assesses value for money. It produces thorough reports, and is ably supported by the National Audit Office, but its scope remains focused on individual projects and programmes after they have been implemented rather than scrutinising future public spending.

4. Departmental select committees, including the Treasury Committee do intermittently scrutinise estimates and accounts, but again this is not the main focus of their work, as they focus more on monetary policy rather than examining Government spending plans, and their resources to scrutinise departmental spending on a line-by-line basis is limited.

5. This also means that the silo nature of Government departments is replicated in the select committee system, with little information being shared across departments and the spending plans of all Government departments is not analysed together. There is often little focus on scrutinising spending review plans for Government departments, or whether cross-cutting spending is aligned e.g. between the Foreign Office, Ministry of Defence and the Department for International Development.

6. There is also the issue that differences remain between the three main expenditure frameworks – budgets, estimates and departmental accounts. This means it is difficult to track spending from plans to the outcome, and learn any lessons. This therefore means that, as mentioned before, existing methods of parliamentary scrutiny are not adequately resourced to sufficiently examine public spending, and as such there is scope for a committee that solely examines public expenditure plans.
The Creation of a Budget Committee

7. It is important to create a much more consolidated transparent approach to government estimates so that all of the expenditure is in one place and obvious and actually calculated on the same basis so that it would be possible to follow every pound through from when it is raised through to how Parliament decides to approve its expenditure through to where it is spent, which would be a big improvement.

8. The Budget committee should look at public spending across the whole of national government to assess the consistency and adequacy of the financial planning of government departments, which is currently not a major role of any departmental committee activity. It could also make informed recommendations for topics to be debated for Estimates Days. There is currently no mechanism for effective scrutiny of spending reviews. If the committee examined these areas, it would provide a more robust process to scrutinise public expenditure and more examples of best practice.

9. The committee would not look at the merits of government policy, but whether the Government is efficiently using public money, and whether there is value for money for taxpayers – something that is currently difficult to ascertain. It could work jointly with other committees to produce reports on departmental programmes, and to reduce any duplication of work. Joint sub-committees could also be used to examine estimates from particular departments in more detail, and to eliminate any crossover of work between committees.

10. This committee should try to encompass, in a much more coherent way, in one system, scrutiny of government spending, with the aim of effective and efficient expenditure of government money. I think that this is a long overdue initiative and will certainly improve transparency.

11. The creation of a Budget committee would be a significant financial undertaking for Parliament, and it must be properly resourced for the committee to be able to effectively scrutinise Government spending. If there is no commitment to properly resource the committee, then as is the case now, it would become part of a superficial public spending scrutiny process.

12. Any committee that was created could work in tandem with the Public Accounts Committee and operate with two arms – the Public Accounts Committee would continue to look retrospectively at spending, but the Budget Committee arm would look at spending going forward. The Budget Committee could also build on reports from the Public Accounts Committee, and also examine areas of public spending that have been criticised in the past and see whether going forward, lessons have been learnt.
13. More attention should also be given to Spending Reviews which set the spending for the next three years, and are main mechanism through which Government spending is outlined. No departmental committee undertook an inquiry into the plans announced at the last spending review in 2015, and any scrutinising of financial plans is not done in a timely fashion.

14. The Chief Secretary to the Treasury should be called in front of the committee, as they are responsible for all issues of public spending, and other financial officers for Government departments, in much the same way that the Public Accounts Committee questions the Permanent Secretary of a Government department. This would also mean that the Treasury would face greater scrutiny when explaining Government spending decisions, including decisions that are taken between spending reviews, and on the adequacy of different Government department approaches to financial planning.

15. It would also mean that the committee was not looking at individual policy decisions, instead it would be focused on planning and management, as well as the economy, efficiency and effectiveness of spending decisions which would again mean that it would not infringe on the work of existing departmental select committees.

16. If a budget committee is created it is important that there is emphasis on the committee having a remit to look across the entire national government to consider public expenditure, and in this respect, it would differ and be distinct from departmental select committees. This would also avoid any confusion between the relationship of the Budget Committee and existing select committees.

Conclusion

17. There is currently insufficient reporting and scrutiny of Government spending plans. If a properly funded and resourced Budget Committee was created, it would greatly enhance the role of Parliament and could prove to be an effective resource in helping the taxpayer understand whether they are getting value for money.

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