

# TREASURY

Part A

FILE NUMBER

PO-CH/NL/0798

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PO-CH/NL/0798

Future Programme of the  
TCSC

FOR REGISTRATION USE ONLY

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DATE

REFER TO

DATE

1984

FOR RECORDS SECTION USE ONLY

THIS FOLDER HAS BEEN REGISTERED ON THE REGISTRY SYSTEM

FROM: D R NORGROVE  
 DATE: 24 JANUARY 1984

*Prof*

MR BATTISHILL

cc Principal Private Secretary —  
 PS/Chief Secretary  
 PS/Financial Secretary  
 PS/Minister of State  
 PS/Economic Secretary  
 Sir Peter Middleton  
 Sir Terence Burns  
 Mr Bailey  
 Mr Littler  
 Mr Cassell  
 Mr Anson  
 Mr Unwin  
 Mr Kemp  
 Mr Gilmore  
 Mr Monger  
 Mr Lankester  
 Mr Fitchew  
 Mr Lavelle  
 Mr Evans  
 Mr Odling-Smee  
 Mr Judd  
 Mr Scholar  
 Mr Ridley

C.

No early problems. The  
 Mitchell sub-committee's first  
 2 tasks are v. bizarre,  
 (but should keep them  
 out of mischief.)

✓

*Stue*

#### FUTURE PROGRAMME OF THE TCSC

The TCSC met yesterday to discuss its future work programme and the Clerks have telephoned with the outcome.

2. The only firm decisions related to the work programme of the sub-committee. The sub-committee's first enquiry will be about the appointment of HOTGAS. (We have of course already sent them a note about this.) They hope to take all their evidence next week and to complete the enquiry within 2 or 3 weeks. The Clerk was instructed to invite Mr Bailey to appear at 4.15 pm on Tuesday 31 January though he recognises that it might be appropriate for someone else to attend. The hearing would last to around 5.15 pm. The Clerk was unsure whether someone from MPO would need to accompany Mr Bailey, but he felt an MPO official should be present, in case as he put it, the questioning was not "right up the middle". On the same day and on the following day, Wednesday, 1 February, the Committee intend to invite evidence from the CCAB, from Sir Kenneth Sharp and from IPCS.

3. The Clerk would like to know tomorrow if at all possible which officials will appear before the Sub-Committee and he would like confirmation that Tuesday at 4.15 pm is possible for us.

4. For what it is worth, the Clerk thinks that the main questioning will be directed towards the role of accountants in government generally, the reasons for the apparent downgrading of the post, and the precise role and responsibilities of the person to be appointed. (The members of the sub-committee are Austin Mitchell in the Chair, and Messrs Wainwright, Townend, Howell and a fifth person, possibly John Browne. Mr Wainwright has the strongest interest in the enquiry.)

✓ | 5. After completing the HOTGAS enquiry the sub-committee intend to return to the question of acceptance of outside appointments by Civil Servants. There had been some suggestion that this would be combined with an enquiry into appointments made by the Government (eg the Governor of the Bank of England.) This will not now form part of the enquiry.

6. The sub-committee's programme thereafter is not decided. One possibility is that they may want to look at the financial and economic consequences of EC membership.

✓✓ | 7. No firm decisions were taken about the timetable of enquiries by the main Committee. They intend as usual to prepare reports on the PEWP and on the Budget.  
✓ They would like to follow up the report by the Procedure Committee, though no timetable for this has yet been fixed. They have decided to try to agree a report on  
? International Monetary Arrangements. (You will recall that their enquiry into this subject was interrupted by the Dissolution and they published only a draft report.)  
} There will be no attempt to complete the work of the Meacher sub-committee on the  
Structure of Taxation and Income Support.

✓ | 8. For their summer enquiry they are considering an investigation of expenditure and revenue in the longer term, taking into account the prospect of declining revenue from North Sea tax. The Clerk is likely to seek our help in defining this enquiry.  
? } Other possibilities for the future include freedom of official information and the  
structure of the City. Again for the latter the Clerk may want to seek our help in defining the enquiry.

*D R Norgrove*

D R NORGROVE

Mr Hall.

PERSONAL AND CONFIDENTIAL

**IMMEDIATE**

A 28

FROM: ADAM  
14 February 1980

CHANCELLOR

*This looks like a sketch for a W.W. dispute journal. A. N.?*

cc Sir P Middleton  
Sir T Burns  
Mr Battishill  
Mr Hall

TCSC REPORT

It is interesting that the first report under Terence Higgins' chairmanship is so poor. I think that this is more than just the problem of getting a new team settled in. It reflects:

- (a) the problem MPs in any party have in keeping their grip on the drafting of a "quick report" such as this is;
- (b) the assertiveness of their specialist advisers.

2. As far as (a) goes, I remember vividly the problem in 1981 and 1982 when I saw a good deal of their preparatory paper. It came hopelessly thick and fast. Sadly, there is not much we can do about that, except give them more time (i.e. publish earlier!).

3. On (b), there is a very real issue. Peter Lilley tells me how appalled he was at the dominance of the advisers in his short time on the TCSC. [I heard the same complaint from others earlier, but they have probably been conditioned to accept things as they are.] Peter added, even more remarkably, that the advisers have formed up and asked to be given a much bigger role in the conduct of the committee's enquiries! Pretty amazing, if true. The compromise agreed, it appears, will be not that they can overtly do that, but that they will be free to bombard Treasury officials with more detailed questions and requests for papers - a pattern of which there are signs already.

4. Shades of Congress and cross examination by the counsel of a typical committee there, one may say. Perhaps we should discuss, should there be anything to be done about all this.

A N RIDLEY

FROM: D R NORRGROVE  
DATE: 15 FEBRUARY 1984

MR BATTISHILL

cc Chancellor of the Exchequer *✓*  
Chief Secretary  
Financial Secretary  
Minister of State  
Economic Secretary  
Sir Peter Middleton  
Mr Bailey  
Mr Littler  
Sir Terence Burns  
Mr Cassell  
Mr Unwin  
Mr Fitchew  
Mr Gilmore  
Mr Scholar

C

NBX

*J.P.*

### TCSC PROGRAMME

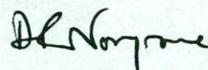
The Committee met yesterday to consider their future work programme. The Clerk has given me a miscellany of information.

2. The report on HOTGAS will be published on Wednesday 29 February, with CFRs the day before. The Clerk has agreed to let us have an early copy.
3. The Committee have now definitely decided to pursue their enquiry into longer term public expenditure and revenue.
4. The Committee will not enquire further into the Supplementary Estimates.
5. The Sub-Committee will pursue its enquiry into acceptance of outside appointments by Civil Servants and will then turn to the economic consequences of EC membership. The aim in the first place will be to produce an interim report on the budgetary and financial side of membership, including the way in which the Community raises its money, how it is spent and how the UK stands now and in the future, including constraints (meaning unclear). The Clerk does not know whether the Sub-Committee will start its work by issuing a questionnaire to all and sundry or whether it will call for a note from the Treasury. The enquiry is unlikely to start before Easter.
6. In the meanwhile, the Clerk has asked if there is any existing paper, whether by the Treasury or by someone else, which discusses EC financing in a factual way, so

that he can begin to understand the questions likely to come up and advise the Committee on how they should define the scope of their enquiry. Could Mr Fitchew please consider this?

7. The Committee have not yet decided whether the Sub-Committee should enquire more widely into EC membership once the enquiry into financing is complete. They have taken note of the fact that the Trade and Industry Committee has said it will enquire into patterns of trade within the EC.

8. The Clerk, at least, understands the problems the Sub-Committee's enquiry will cause for the people involved with EC financing, bearing in mind their commitments, including travel, between the March and June Councils. He is also aware that there will be sensitive areas at that time on which Ministers and officials will not be forthcoming. But the Committee are committed to the enquiry.



D R NORGROVE

Chancellor  
The trouble is, most of them  
are well-disposed - better-  
disposed towards the TCSC.  
Jack Bly is probably the best  
bet: otherwise Whittam-Smith  
is the only one who would be  
(a) interested  
and (b) reliable  
enough not to  
draw an unhelpful  
moral.

Mr Hall.

I will speak to  
Adam O.V. M.

(mp)

PERSONAL AND CONFIDENTIAL

FROM: ADAM RIDLEY  
14 February 1984

CHANCELLOR

? A. Alexander  
PRAYERS  
This looks like a slow  
for a W.H. dispute  
journalist. A. N.?

cc Sir P Middleton  
Sir T Burns  
Mr Battishill  
Mr Hall

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4. Shades of Congress and cross examination by the counsel of a typical committee there, one may say. Perhaps we should discuss, should there be anything to be done about all this.

AR

A N RIDLEY

MMW 15/2



FROM: J O KERR

DATE: 21 February 1984

cc Mr Monck  
Mr Gordon  
Mr Norgrove

MR BATTISHILL

**HOUSE OF LORDS SCIENCE AND TECHNOLOGY SUB-COMMITTEE**

The Chancellor was grateful for your minute of 20 February, and is content that you should send the Clerk to the House of Lords Science and Technology Sub-Committee photocopies of the published US tables on increases in employment.

A handwritten signature in black ink, appearing to be "J O Kerr".

J O KERR

FROM: A M W BATTISHILL  
DATE: 20 February 1984

12/21

PRINCIPAL PRIVATE SECRETARY

cc PS/Chief Secretary  
PS/Financial Secretary  
PS/Minister of State  
PS/Economic Secretary  
Sir P Middleton  
Sir T Burns  
Mr Monck  
Mr Smee  
Mr Gordon  
Mr Kalen  
Mr Norgrove

*Handwritten signature in red ink*

*ad see below again*

HOUSE OF LORDS SCIENCE AND TECHNOLOGY SUB-COMMITTEE : NEW JOBS

The Chancellor may wish to know that the House of Lords Science and Technology Sub-Committee are showing some interest in the Jobs paper which he circulated to NEDC in the autumn. This emerged from a request I received last week from the Clerk to the Sub-Committee.

2. Apparently the Sub-Committee are engaged in an inquiry into education and training for the new technologies. This has brought them into contact with the Chancellor's paper. They have a particular interest in US employment experience, and particularly in Table A12 to our paper showing occupations with the largest absolute increase in employment in the 10 years to 1983. I was asked whether we had the counterpart table available showing those occupations with the largest absolute decline in employment over that period. The Clerk seemed not to have access to the US Bureau of Labour statistics publications which we quote as the source for Table A12.

3. Those concerned did not in fact analyse the data for declining occupations. But I propose to send the Clerk photocopies of the relevant published US tables, from which the Clerk can easily extract what the Sub-Committee want.

*Handwritten initials AMW*

A M W BATTISHILL



COMMITTEE OFFICE  
HOUSE OF COMMONS  
LONDON SW1A 0AA  
01-219 5766 (Direct Line)  
01-219 3000 (Switchboard)

(post)

cc ✓ Mr Kent ✓ 12/2  
✓ Mrs P. Middleton  
Mr. Gilman  
Mr. Hargrove

TREASURY AND CIVIL SERVICE COMMITTEE

Press Notice

Acceptance of outside appointments by crown servants

1. The Sub-Committee for this enquiry has been appointed as follows:

Mr Austin Mitchell (Chairman)  
Mr Anthony Beaumont-Dark  
Mr Roger Freeman  
Mr Brian Sedgemore  
Mr John Townend

2. The first evidence sessions will be:

Wednesday 29 February at 4.30 p.m. C.B.I.;  
at 5.30 p.m. Institute of Directors.

Wednesday 7 March at 4.15 p.m. Council of Civil Service  
Unions;  
at 5.15 p.m. Lord Diamond.

Both sessions will be in public in Committee Room 6, House of Commons.

22nd February 1984

S. Priestley

*Ms Chairman*



COMMITTEE OFFICE  
HOUSE OF COMMONS  
LONDON SW1A 0AA  
01-219 5767 (Direct Line)  
01-219 3000 (Switchboard)

CC MR. KERR ✓  
SIR P. MIDDLETOWN  
MR. GILMORE  
MR. NORCROFT

*(PW)*

TREASURY AND CIVIL SERVICE COMMITTEE

PRESS NOTICE

Acceptance of outside appointments by crown servants

The Sub-Committee appointed for this enquiry will take evidence on Wednesday 7th March from the following:-

- 4.15 p.m. General Sir Harry Tuzo
- 4.45 p.m. Sir Frank Cooper
- 5.15 p.m. Council of Civil Service Unions

The session will be in public in Committee Room number 6, House of Commons.

The information in this Notice supersedes that in the Press Notice of 22nd February 1984.

5th March 1984

C.A. Larsen



COMMITTEE OFFICE  
HOUSE OF COMMONS  
LONDON SW1A 0AA  
01-219 5766 (Direct Line)  
01-219 3000 (Switchboard)

*12/2*  
*Mr Kerr*  
*Sir P Middleton*  
*Mr Gilmore*  
*Mr Wray*

TREASURY AND CIVIL SERVICE COMMITTEE

PRESS NOTICE

Acceptance of outside appointments by crown servants

1. As previously announced, (see PN of 22 February) the Sub-Committee's enquiry into the acceptance of outside appointments by crown servants begins tomorrow, 29 February, when oral evidence will be heard from the CBI and the Institute of Directors.
2. The Sub-Committee has decided to extend the scope of its enquiry to establish existing practice in some non-departmental public bodies (quangos) and nationalised industries.
3. Evidence will be taken from a number of ex-crown servants.

28th February 1984

S. Priestley

FROM: A M W BATTISHILL

DATE: 20 March 1984

PS/ECONOMIC SECRETARY

*(MWP)*cc PS/Chancellor — 12/2  
PS/Chief Secretary  
Sir P Middleton  
Mr Littler  
Mr Unwin  
Mr Fitchew  
Miss Court  
Mr Hall  
Mr Hansford*e*  
*Clearly one for EST.*  
*? settle at prayers.*  
*Ladd.*

TCSC: ADVANCE OF OWN EC RESOURCES

This is to record our earlier conversation in which I reported to you a call from the Clerk to the TCSC.

2. Mr Limon confirmed that the Treasury Committee would wish to proceed with a hearing on the Supplementary on Thursday 22 March. He has been asked to request the appearance of a Treasury Minister with supporting officials in case the Committee wishes to raise more detailed questions. The meeting would be scheduled for 12.15 pm on Thursday and this would follow the Committee's sessions on the Budget with the CBI and the TUC.

3. The Committee recognise that it is for the Chancellor to decide who shall give evidence for the Treasury; but in the course of my conversation with the Clerk he mentioned the names of both the Chief Secretary and the Economic Secretary. For that reason, I am sending a copy of this minute to the Chief Secretary's office as well.

4. The Clerk also confirmed that the Committee would find it particularly helpful if they could have the very short background note setting out, inter alia, the sequence of recent events. I have spoken separately to Miss Court about this and she will be letting the Economic Secretary see a draft later today.

5. As for the rest of the timetable, the Committee plan to complete a short report which they aim to agree on Monday 26 March for publication on 28 March, a clear 24 hours before the Supplementary is due to be taken in the House.

*AMW*  
A M W BATTISHILL

CONFIDENTIAL

TCSC

~~B/f on 16/4~~  
pmp*4/16/84*  
*[Signature]*

FROM: DAVID PERETZ

DATE: 2 April 1984

SIR PETER MIDDLETON

## TCSC

The Chancellor was conscious that although his appearance at the TCSC was a reasonable success in defensive terms, the hearing involved a large amount of work and preparation by officials as well as himself; and that at the end of the day there was not a great deal positive to show for it. Much the same could be said of officials' appearance two days earlier.

2. It may be that it would be useful to have some further discussion with those who took part in the hearing before memories of the occasion have faded too far. The purpose would be to discuss whether we could get more out of such occasions in the future, and if so how.
3. But first, the Chancellor would like to have an initial discussion with you at your next bilateral, on Thursday.

*[Signature]*

D L C PERETZ



C.

TCSC : Epilogue

I will send this note out, subject to any comments you had on cost list or timing.

2. You may like over the weekend to look through the transcript of your appearance, and the corrections Mr. Norgrove suggests (any others?) + the transcript of officials' appearance.

SWP

Hi Vally, I will  
discuss with Sir PM @  
my later date.  
X.



FROM: DAVID PERETZ

DATE: 30 March 1984

cc Sir P Middleton  
 Sir T Burns  
 Mr Scholar ← Mr. Hall  
 Mr Norgrove  
 Mr Portillo o.r.

MR BATTISHILL

TCSC

The Chancellor was conscious - as I think we all were - that although his appearance on Wednesday might be adjudged a defensive success, the hearing involved <sup>at</sup> large amounts of work and preparation by officials as well as himself; and that at the end of the day there was not a great deal by way of positive achievement to show for it. *Much the same could be said of officials' appearance two days earlier.*

2. He thought, therefore, it might be useful to arrange an informal discussion with those who took part in the hearing - and, I suggest, <sup>Mr. Hall</sup> Mr Norgrove and Mr Portillo (in Mr Ridley's absence) as well - before memories of the occasion had faded too far. The purpose would be to discuss whether we could get more out of such occasions in future, and if so how.

3. Of the two possible approaches that you and I discussed - seeking to improve the quality of the Committee's questioning and analysis, and looking for ways in which we might be able to exploit the hearings more directly (in the same way as we look for opportunities to exploit Ministerial contributions to debates on the floor of the House) - the Chancellor is inclined to <sup>no view</sup> give you that the former is a lost cause. *[But the discussion could cover both.]*

4. I will try to set up a meeting ~~some time~~ in the next week or so.

D L C PERETZ

*my*

FROM: A M W BATTISHILL  
DATE: 26 April 1984

MR MONGER

cc Mr Peretz *12/2*  
Ms Seammen  
Mr Allen  
Miss Noble  
Mr Aaronson  
Mr Blythe I/R

## TCSC: TREASURY NOTE ON THE POVERTY TRAP

Following the Chancellor's discussion with Mr Higgins last week I spoke to the Clerk to the Treasury Committee this afternoon and agreed to send him a note of the amendments we wish to make to the Treasury note on the poverty trap before the Committee publish it.

2. I attach a copy of my letter which contains the changes agreed at your meeting this morning.
  
3. The Clerk is not yet sure how the Committee will wish to publish the paper, whether as a piece of evidence on its own or linked with some other relevant publication. One possibility would be to link it with out intended response to the Committees Budget Report. As you know, we are working on this at present and hope to have a draft for the Chancellor's consideration next week.

*AW*  
A M W BATTISHILL

P.S. I have agreed to let Mr. Hemmings have this letter during the  
course of 10/11 morning.

*AW*



## H M Treasury

Parliament Street London SW1P 3AG

Switchboard 01-233 3000

Direct Dialling 01-233 3016

A M W Battishill  
Under Secretary

D Limon Esq  
Treasury and Civil Service Committee  
St Stephen's House  
St Stephen's Parade  
LONDON SW1

26 April 1984

### TREASURY NOTE ON THE EFFECTS OF INCREASES IN TAX ALLOWANCES AND CHILD BENEFIT ON THE POVERTY AND UNEMPLOYMENT TRAPS

As you know, there are some changes we should like to make to the Treasury note before the Committee consider publishing it. I have set them out below; but if you would find it easier to have a freshly-typed copy that can easily be arranged.

The changes are as follows.

In paragraph 3 we should like to amend and re-order the last three sentences to read as follows:

"This note concentrates on the part of the trap where marginal rates are highest: the overlap between income tax, national insurance contributions and family income supplement (FIS). There are estimated to have been about 160,000 families in this position in 1983-84. Those affected may have a combined marginal rate of tax and benefit withdrawal of at least 89 per cent."

There are a number of small revisions to paragraph 5. The revised paragraph reads as follows:

"Raising child benefit of itself has no effect on the highest marginal rates in the poverty trap, since it does not affect either the rate of tax or the rate of withdrawal of FIS. Nor does it affect the numbers involved, since it does not change the total either of tax payers or of recipients of FIS. Only when it is combined with a reduction in FIS, so that some claimants are taken out of benefit entitlement altogether, is the number of families reduced. In practice this reduction would take the form of a cut in the prescribed amounts for FIS."

Some small changes to paragraph 7.

In line 8 delete "these families" and insert "those families still."

In line 14 "their" should read "these."

In line 16 after the comma the sentence would be clearer if it read "...for the 85% of the unemployed who have no children".

Finally, the opening sentence of paragraph 8 would also be clearer if it read:

"Use of the Child Benefit route to improve the poverty trap therefore involves a lower gain for families receiving FIS than that obtained by families generally.

A M W BATTISHILL



(11)

C

Gowrie's office are —  
quite understandably, — saying this  
is a Treasury appointment, and ∴  
that a Treasury minister should  
appear. That is also Sir R  
Armstrong's advice : and  
Sir P & M says it is  
hard in logic to contradict  
him.

So personal arm twisting  
is the only way.

I'm sure either MOS  
or CST would do this if  
you asked (having now registered  
their protests)

D&P



I will  
Spk to  
Gov -  
for fix M

C  
The next day is ~~Monday~~ Monday  
(We've lost tomorrow's :  
meeting with Gov & Mr Fletcher)

Sir P. M. says we have to  
decide sooner (i.e. before you leave  
for Paris), since the TCSC  
are pressing hard. Tony Balkhill  
is being telephoned twice a day  
already. (The provisional  
date fixed is Monday 21st).

Do you want to fix a quick  
meeting with Mrs S & CST?

Sir P. M.'s note below  
sets out the problem. And I understand  
massive briefing for the hearing is  
being prepared - but will not be  
ready until tomorrow.

DM

*(Handwritten initials)*

FROM: A M W BATTISHILL  
DATE: 2 MAY 1984

CHANCELLOR OF THE EXCHEQUER

cc Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Sir Peter Middleton  
Sir Terence Burns  
Mr Bailey  
Mr Anson  
Mr Cassell  
Mr Evans  
Mr Gilmore  
Mr Monger  
Mr Odling-Smee  
Mr Scholar  
Mr Culpin  
Mr Gray  
Mr Norgrove  
Mr Ridley

*Handwritten notes in red ink:*  
A large signature/initials  
A smaller signature/initials  
A small mark resembling a checkmark

*message passed  
to N Gilmore  
B 3/5*

**TCSC: FURTHER DEVELOPMENTS**

The Treasury Committee met on Monday afternoon to take stock of outstanding issues.

2. I have been told that they propose to publish the Treasury's observations on the Committee's Third Report on the Public Expenditure White Paper in the form of a special Report. It will probably be published sometime next week. Perhaps Mr Scholar and Mr Culpin will consider whether the press office need additional briefing.

3. The Committee also discussed publication of the outstanding Treasury note on the poverty and unemployment traps. The Clerk tells me that the revised note will be taken up again by the Committee when they receive our observations on their Budget report. It seems likely that the Committee will then agree to publish it as an annex to our reply again in the form of a special report. I hope to let you have a draft of the Government's reply for approval shortly, so that it can be despatched next week once the Finance Bill is safely off the floor of the House and into Committee upstairs.

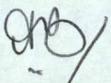
4. As you know, the Committee have been planning to devote some time this session to a scrutiny of Treasury estimates. This has now firmed up into a proposal by Mr Austin Mitchell's sub-committee to devote two meetings after the Spring Bank Holiday recess to this subject. The sub-committee have chosen to look at the main departmental Treasury Vote and the Customs and Excise Vote. It seems likely that

they will be content to discuss these with officials and that Ministers will not need to be bothered; but the detailed arrangements have not yet been finally settled.

5. Lastly, HOTGAS. I attach a letter I have received from the Clerk recording the Committee's disappointment with the Government's reply to their report; saying that they intend to record that disappointment when they publish the reply, probably tomorrow; and inviting "an appropriate Minister or Ministers" to appear before them on Monday, 21 May. (Mr Culpin may care to note that I have since confirmed with the Clerk that publication is set for 12 noon tomorrow.)

X 6. You will see that the Committee are also concerned about some articles in the specialist press which speculated on the Government's reply to their report. A copy of the article from The Accountant of 12 April is attached below. Mr Higgins has now tabled a question to the Prime Minister about all this which appeared on this morning's Order Paper. (Copy attached.) We have been asked for advice and Mr Gilmore is preparing a draft answer for No 10.

7. Advice will be coming forward separately on the request for a Minister to appear before the Committee to discuss HOTGAS.

  
A M W BATTISHILL



COMMITTEE OFFICE  
HOUSE OF COMMONS  
LONDON SW1A 0AA  
01-219 3285 (Direct Line)  
01-219 3000 (Switchboard)

TREASURY AND CIVIL SERVICE COMMITTEE

1st May 1984

*Lu My,*

GOVERNMENT OBSERVATIONS ON THE SECOND REPORT  
- HEAD OF GOVERNMENT ACCOUNTANCY SERVICE

Thank you for your letter of 12 April, enclosing a copy of the Government's Reply prepared jointly by the Treasury and the Cabinet Office (MPO).

The Reply was considered by the Committee yesterday. The Committee is most disappointed with the Reply and will be adding a very brief comment to that effect when it is published as a Special Report - probably on Thursday of this week.

The comment will refer to the Committee's decision to pursue the matter "at ministerial level". To this end I am instructed, through you, to invite an appropriate Minister or Ministers to appear before the Committee on Monday 21 May (probably at 4.30 p.m., although of course we can negotiate about the time). The exact composition of the Ministerial team is a matter of some interest to the Committee, but we think it best to await the Government's proposal - which might perhaps be discussed informally between the Chairman and Ministers before it is made.

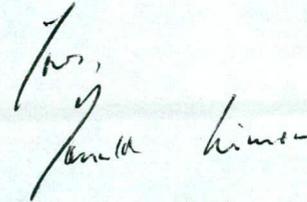
Disappointment was also expressed about articles in the specialist press - particularly the Accountant of 12 April 1984 - which seemed to come near to premature disclosure of the Government's Reply on somebody's part. The Chairman will be tabling a Question to the Prime Minister about this. I am not therefore asking you to take any particular action, although I would not be surprised if the subject came up on 21 May.

16/22 8

It seems possible that an appointment may be made to the vacant post in the immediate future. If this happens, the Committee would be grateful for the earliest possible notification.

I am sending a copy of this letter to Genie Flanagan.

A.M.W. Battishill Esq.,  
Central Unit  
H M Treasury  
Parliament Street  
SW1P 3AG

A handwritten signature in dark ink, appearing to read 'D.W. Limon', written in a cursive style.

D.W. Limon

## HOTGAS Post to Remain Ungraded, Says Treasury

The Treasury is expected to reject all the recommendations in the Treasury and Civil Service Committee's report on the Head of the Government Accountancy Service (see *The Accountant*, 1 March) when it delivers its reply to the Committee tomorrow (Friday).

Both the Treasury and Sir Robert Armstrong's office were heavily criticised in the report for their failure to find a successor to Sir Kenneth Sharp despite advance warning of his departure 18 months before. Much of this failure has been blamed on the Treasury's decision to withdraw the position's second permanent secretary status, to leave it ungraded, and to require the new incumbent himself to report to a second permanent secretary.

The committee was convinced that, while no official witness at the investigation had actually received complaints from candidates, 'we feel that their feelings on the point, though unvoiced, could still have influenced their attitude to the job'. In his evidence Sir Kenneth agreed; he added that the effective lack of status would make the incumbent's job extremely difficult against the background of hierarchical attitudes and 'tribal customs' in Whitehall and the Civil Service.

Yet the Treasury is still insisting that the post remains ungraded. According to Sir Robert Armstrong's office, there is no intention to restore its grade at any stage.

Precisely when the Treasury will announce Sir Kenneth's successor is unknown. The Treasury is sticking to the reply it has used consistently over the last six months: 'Several candidates are being interviewed at the moment', but there is a feeling among interested parties that Sir Robert is now simply waiting for the letter of acceptance to arrive.

Meanwhile, morale is low among the leaderless government accountants. And the longer the arguments continue, the stronger the feeling is that no candidate should accept the post; in so doing he will not only be placed in an intolerable position as far as effectiveness is concerned, but also he will command no respect from the very group he is supposed to lead.

For the accountants feel that their head should be entitled to a grading at the Treasury on the same level as that accorded to the head of the Government Economic Service — a second permanent secretary.

## TB Report Highlights Takeaway Error

Government estimates of raising a further £200 million a year in revenue as a result of imposing VAT on hot takeaway-food are misguided, according to Thornton Baker, since they have failed to take into account the inevitable drop in sales.

Already takeaways are reporting drops in sales of between 10-20%, because customers did not realise that VAT was only going to be added on from the beginning of May and not from Budget Day. Sales are likely to drop still further as the low income groups (students, pensioners and the unemployed), who buy a third of all takeaways, change their eating habits.

In a report commissioned by the Hot Takeaway Action Group, Thornton Baker estimates that if sales drop by 14-20% as consumer surveys suggest then the sales and profit margin will be halved. This could put as many as 3,000 small traders out of business.

Gerald Nicholls, director of TB's management advisory service, says: 'Government projected revenues could be reduced by as much as £23-34 million for VAT and a further £25-37 million for income/corporation tax.'

## Accountant Warns SE Over Investor Protection

In a week when The Stock Exchange has made its first cuts in commission rates and allowed the setting-up of international dealerships, a leading accountant involved in auditing member firms has warned that there is much still to be done to ensure investors protection.

Minimum commission scales are expected to go altogether by the end of 1985. Yet Spicer and Pegler partner John Waddington said that new technology will have to be developed before this major change in the functioning of the market.

'Personally, I think it's very necessary that everything is in

place before the big bang — and that's certainly not a very long time,' he said. Fully negotiable commissions are part of the deal the Exchange made with the DTI last summer in return for keeping its rule book out of the Restrictive Trade Practices Court.

A discussion document on the market's future, which is expected within a fortnight, is also likely to recommend the establishing of broker-dealers. At the moment the two are separated, with jobbers acting as market-makers in share transactions and brokers as agents for investors.

'The mere fact of a member firm being able to do both should not cause any problem,' said Mr Waddington. 'The practicalities of control are fairly well established.'

It is important, however, that the broker 'is seen to be acting on the client's behalf'. The 'likely solution' to any conflict of interest is the separation of functions within the firm. This would create a 'barrier between the firm's agency work and its dealing on its own account'.

## E & W and LBS in Joint Project

Ernst & Whinney is to spend £25,000 a year for the next two years on a research programme into the people-intensive service industries such as insurance, banking, stock broking, building societies, and ac-

countancy.

The programme, under the auspices of the London Business School's Institute of Small Business, will explore the problems faced by small growing businesses in the service sector. The links between the market for the firm's services and staff will also be studied.

Although the commitment is only for two years at present, it may be extended to four years depending on how the project develops. LBS's Dr Charles Baden (E & W Research Fellow 1984) and Dr John Bateson will lead the programme.

## Consolidation Key Issue Says Scottish President

In times of rapid change it is more important than ever for professional bodies to consolidate their position in order to be able to effectively represent their members, new Scottish president Professor Bill Morrison said in his inaugural address at the Institute's AGM in Glasgow last week.

'Defensive reaction will not be sufficient,' he said. 'It is imperative that the Institute, with other accounting bodies, assists in shaping the form of change affecting the profession and can thereby lead in its implementation.'

Professor Morrison, who succeeds Jack Shaw, is UK executive partner of Thomson McLintock and visiting professor of accountancy at Strathclyde University.



One of the largest of the small accountancy bodies has moved. The Institute of Administrative Accountants, incorporated in 1916, decamped to Sevenoaks on 30 March.

Seen here at the opening ceremony are: John Hunt, President of the IAA (left) and Robert Dunn MP,

Parliamentary Under-Secretary of State for Education and Training. Other guests included council members, overseas members, and the Mayor of Sevenoaks, Tony Branson.

The address of the new office is Burford House, 44 London Road, Sevenoaks, Kent. Tel: 0732 458080/1.

## THURSDAY 10th MAY

- 195 **Mr Alfred Dubs** (Battersea): To ask Mr Chancellor of the Exchequer, which economic indicators confirm his view of economic recovery. *[Question Unstarred]*  
W
- 196 **Mr Gordon Wilson** (Dundee East): To ask the Secretary of State for Scotland, what was the income received from dog licences in Scotland in 1982-83; what was the cost of collection in that year; how many licences were issued; and if he will raise the cost of the licence to a level which will cover the administrative costs of collection.  
W
- 197 **Mr Gordon Wilson** (Dundee East): To ask the Lord Privy Seal, if he will publish in the Official Report figures to show the average number of minutes per sitting day spent on the floor of the House on Scottish business for the Sessions 1980-81, 1981-82 and 1982-83.  
W
- 198 **Mr Donald Stewart** (Western Isles): To ask the Secretary of State for Scotland, what parts of Scotland are now covered by the land registration system; and how many units of property have now been registered.  
W
- 199 **Mr Gordon Wilson** (Dundee East): To ask Mr Chancellor of the Exchequer, what was the gross domestic product, at current market prices, per capita, expressed in terms of United States dollars, for each of the Organisation for Economic Co-operation and Development countries in 1983 or in the latest available year.  
W
- 200 **Mr Donald Stewart** (Western Isles): To ask the Secretary of State for Social Services, what progress there has been on the provision of Gaelic language versions of the leaflets SB1 and Which Benefit since his Answer to the Right honourable Member for the Western Isles on 20th December 1983, Official Report, column 213.  
W
- 201 **Mrs Ann Winterton** (Congleton): To ask Mr Chancellor of the Exchequer, what has been the total revenue from road fund taxation of heavy freight vehicles in each of the years since 1974.  
W
- 202 **Mr Terence L. Higgins** (Worthing): To ask the Prime Minister, on what dates any briefing was given to the Press by the relevant Government departments on the Government reply to the first Report of the Treasury and Civil Service Committee on the Head of the Government Accounting Service.  
W

## MONDAY 14th MAY

- 203 **Mr David Young** (Bolton, South East): To ask the Secretary of State for the Home Department, if he will call for a report from all chief constables, apart from the Commissioner of the Metropolis, about whether they use non-officially marked cars in normal police duties, including patrols; and what general conditions govern their use.  
W
- 204 **Mr David Young** (Bolton, South East): To ask the Secretary of State for the Home Department, if the Metropolitan Police use unmarked police cars for normal police duties; and what conditions govern their use.  
W
- 205 **Mr Gordon Wilson** (Dundee East): To ask the Secretary of State for Scotland, what was the total amount allocated to Scottish Women's Aid in 1982-83; and how this compares with 1981-82.  
W
- 206 **Mr Donald Stewart** (Western Isles): To ask Mr Chancellor of the Exchequer, what were the total Government revenues from excise duty on Scotch whisky in 1983; what was the total revenue from value-added tax levied on spirits in 1983; and what percentage of the latter arises from Scotch whisky.  
W

- 207 Mr  
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- 208 Mrs  
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- 209 Mrs  
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- \*217 Mr  
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W



COMMITTEE OFFICE  
HOUSE OF COMMONS  
LONDON SW1A 0AA  
01-219 -5766 (Direct Line)  
01-219 3000 (Switchboard)

f(sct(2))

CC  
12/2  
MR. PERETZ  
SIR. P. MIDDLETON  
MR. B.T. GILMOR  
MR. NORGROVE

TREASURY AND CIVIL SERVICE COMMITTEE

PRESS NOTICE

The Sub-Committee of the Treasury and Civil Service Committee will be continuing its enquiry into the Acceptance of Outside Appointments by Crown Servants on Wednesday 9 May in Committee Room 6.

Witnesses will be:-

Sir Patrick Nairne (at 4.15 p.m.)

The Chairman and Assistant Managing Director of the Marconi Company (at 4.45 p.m.)

4 May 1984

S. Priestley



FROM: DAVID PERETZ

DATE: 17 May 1984

15

MR BATTISHILL

cc Chief Secretary  
Financial Secretary  
Minister of State  
Economic Secretary  
Sir P Middleton  
Sir T Burns  
Mr Bailey  
Mr Littler  
Mr Anson  
Mr Cassell  
Mr Scholar  
Mr Odling-Smee  
Mr Monger  
Mr Ridley  
Mr Norgrove

TREASURY AND CIVIL SERVICE COMMITTEE

The Chancellor has seen your minute of 16 May.

2. It is, he thinks, tiresome that the paper on the poverty and unemployment traps has still not been published, and that we have been asked to amplify it further. But he accepts that we clearly have to comply, and thinks it may be simplest to provide the additional information requested in the form of a self-contained annex that could - and he would prefer this - be published together with the paper itself.

3. As to the complaint about our replies, the Chancellor thinks the only concession we should make is the one you suggest in your paragraph 8 - that is that in future we could reproduce the text of the Committee's recommendations when we reply to them. And if the Committee take to including tendentious argument in their conclusions, we should then need to reply in kind.

D L C PERETZ



C

You shd be aware of the TCSC's letters of 18 May (a the Tsy Estimate) & 22 May (Hotgas) opposite.

You've spoke to Sir Peter about the Hotgas hearing.

Phil

P.S. Anything that ~~can be~~ <sup>can do</sup> said to M.H.L. to reduce the workload his committee is imposing on the Tsy wd be v. welcome, of course.

FROM: A M W BATTISHILL  
DATE: 20 June 1984

MR NORGROVE

cc Chancellor of the Exchequer  
Chief Secretary  
Financial Secretary  
Minister of State  
Economic Secretary  
PCC  
Mr Evans  
Mr Fitchew  
Mr Gilmore  
Mr Lavelle  
Mr Monger  
Mr Odling-Smee  
Mr Scholar  
Mr Culpin  
Mr Lord  
Mr Portillo  
Mr Ridley

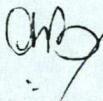
TCSC: FUTURE WORK PROGRAMME

The Clerk to the Treasury Committee has given me the following up-date of the Committee's activities.

2. International monetary arrangements. The Committee's report has been approved and will be published on 5 July, with the usual press conference. Confidential final revise copies should be available to us on 4 July.
3. Poverty and unemployment traps. The Committee are now planning to publish the Treasury Memorandum, without comment, around the end of the month.
4. Estimates. The Committee's reports on the Treasury and Customs Estimates will be published at about the same time. The Clerk described this as a "routine" exercise.
5. Long term trends. Now that the Committee have cleared away most of their outstanding business they are hoping to turn their mind towards this fairly soon. The programme of oral evidence is still uncertain. The Treasury will be invited to give evidence on "one Monday in July".

6. European matters. The Sub-Committee enquiry may get underway in July: this depends largely on how long they take over the remaining stages of their enquiry into public appointments. The Sub-Committee might wish to conduct a quick enquiry if the European Council were to produce a solution to the UK contribution problem.

7. Likierman Report. There is considerable interest in this among the Committee. The Clerk thought we might be asked to give evidence on it sometime in October, but almost certainly not sooner.

  
A M W BATTISHILL

C  
To be published  
by TCSC within

the next 2  
weeks

Thanks. ~~Phil~~  
Pst ✓ ~~Phil~~  
No. Culpa. No.



OK.

What has  
happened to  
our paper  
with a TCSC  
sub-committee?  
No.

This puts on a formal  
basis (see below) the  
report at para (xii) from  
the May No 10  
Seminar.

By arrangement with Andrew,  
this has been done in a way  
that - I hope - runs least  
risk of putting tax into  
commission: i.e. the report  
is only to draw on work  
already done - the Fowler  
reviews.

Phil

FROM: A M W BATTISHILL  
 DATE: 20 June 1984

MR NORGROVE

cc Chancellor of the Exchequer  
 Chief Secretary  
 Financial Secretary  
 Minister of State  
 Economic Secretary  
 PCC - Mr Peretz 12/2  
 Mr Evans  
 Mr Fitchew  
 Mr Gilmore  
 Mr Lavelle  
 Mr Monger  
 Mr Odling-Smee  
 Mr Scholar  
 Mr Culpin  
 Mr Lord  
 Mr Portillo  
 Mr Ridley

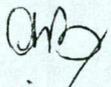
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7. Likierman Report. There is considerable interest in this among the Committee. The Clerk thought we might be asked to give evidence on it sometime in October, but almost certainly not sooner.

  
A M W BATTISHILL

FROM: D R NORGROVE  
 DATE: 8 JUNE 1984

MR BATTISHILL

*S*  
*for int.*  
*MP*

cc Chancellor of the Exchequer 12/2  
 Chief Secretary  
 Financial Secretary  
 Minister of State  
 Economic Secretary  
 Sir Peter Middleton  
 Mr Bailey  
 Sir Terence Burns  
 Mr Littler  
 Mr Anson  
 Mr Cassell  
 Mr Unwin  
 Mr Evans  
 Mr Fitchew  
 Mr Gilmore (or)  
 Mr Lavelle  
 Mr Monger  
 Mr Odling-Smee  
 Mr Scholar  
 Mr Ridley

*✓*

#### PROGRAMME OF THE TREASURY COMMITTEE

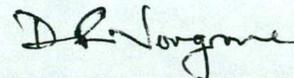
The Clerk to the Treasury Committee called this morning to say how he sees their programme for the next few months.

2. He says they are "struggling hard" to finish their report on International Monetary Arrangements. He hopes it will be agreed by the Committee on 18 or 25 June, to be published in mid-July. It is apparently quite a bit different from the draft published before the Election. It is, he says, slightly academic. It will take account of some of the evidence they took on the Budget and will include "comments on the Economic Summit". They aim to send us a draft in the middle of next week.

3. They hope soon to agree a report on acceptance of outside appointments by Crown servants, to be published during the summer recess. (The MPO is in the lead on this report.)

4. The Clerk guesses that the Committee will not ask the Liaison Committee for the Treasury Estimate to be included as one of those to be debated on the floor of the House, though of course he cannot totally rule that out at this stage. On the other hand he felt that if the Liaison Committee were short of material for debates, they might ask for a debate on HOTGAS depending on what we have to tell them in the next couple of weeks.

5. They will probably want to take evidence on long term resources from the Treasury on either 9 or 16 July.
6. It has now been confirmed that the sub-committee's next enquiry will be into a European subject. If the European Council produces some form of settlement the sub-committee may well want to produce a short report on it before they start a major enquiry. (Mr Budgen is apparently pushing for that.) Otherwise they intend to start hearings in July, with the first phase of the enquiry concentrating mainly on the European Budget. This would lead probably to an interim report. The Clerk's personal view is that a majority on the Committee would then want to turn to another subject, taking their European enquiry no further.
7. The Clerk was vague about the backgrounds of the advisers to the sub-committee and about the spellings of their names. He thinks they are Messrs Wallis (from Chatham House), Salter (based in Brussels) and Shaun-Stewart (ex Department of Trade, and an appointment inspired by Mr Mitchell).
8. The Clerk commented that committed anti-Europeans are in a substantial majority on the Committee.



D R NORGROVE



FROM: MISS M O'MARA

DATE: 29 May 1984

cc PS/Chief Secretary  
PS/Financial Secretary  
PS/Economic Secretary  
PS/Minister of State  
Sir P Middleton  
Sir T Burns  
Mr Bailey  
Mr Littler  
Mr Anson  
Mr Cassell  
Mr Battishill  
Mr Scholar  
Mr Odling-Smee  
Mr Monger o.r.  
Ms Seammen  
Mr G P Smith  
Mr Norgrove  
Mr Ridley  
PS/IR  
Mr Blythe - IR

MR R I G ALLEN

**TREASURY AND CIVIL SERVICE COMMITTEE**

The Chancellor has seen your minute of 24 May and is content that the supplementary note should be sent to the TCSC.

*MOM*

MISS M O'MARA

FROM: R I G ALLEN

DATE: 24 May 1984

PRINCIPAL PRIVATE SECRETARY

cc PS/Chief Secretary  
PS/Financial Secretary  
PS/Economic Secretary  
PS/Minister of State  
Sir P Middleton  
Sir T Burns  
Mr Bailey  
Mr Littler  
Mr Anson  
Mr Cassell  
Mr Battishill  
Mr Scholar  
Mr Odling-Smee  
Mr Monger o/r  
Ms Seamen  
Mr G P Smith  
Mr Norgrove  
Mr Ridley

*c*  
*May the Annex  
be sent off?*  
*[Signature]*

Mr Blythe - IR

TREASURY AND CIVIL SERVICE COMMITTEE

As you know, the paper on the poverty and unemployment traps has still not been published, and the Committee has asked us to amplify it further. The Chancellor's view (recorded in your minute of 17 May to Mr Battishill) was that, though we clearly have to comply with the Committee's request, it might be simplest to provide the additional information in the form of a self-contained annex to be published alongside the paper itself.

2. I attach accordingly a draft annex which has been agreed with the Revenue and DHSS. I also attach an extract from the Clerk's letter which sets out the Committee's questions. Most of these are of a factual nature and do not raise too many difficulties. However, the final point raised by the Committee (on whether we can show replacement ratio calculations based on a sample of actual families in the population rather than hypothetical household types) is rather awkward. DHSS have already made some calculations using their unemployment simulation model and they are prepared, if pressed further on the point, to make them available to the Committee. One difficulty with these calculations, however, is that they are based on the now rather out-of-date Cohort Study which relates to people becoming unemployed in 1978. DHSS also intend to do some FES - based calculations (of the kind carried out after the Budget by FIS), as input to Mr Fowler's reviews,

1  
but it may be some months before these are available. In the meantime, DHSS do not want to be drawn further than is indicated in the final paragraph of the draft annex.

3. Perhaps you would seek the Chancellor's approval of the note so that we can put it to the Committee after the Whitsun Recess.

12A

R I G ALLEN

EFFECTS OF INCREASES IN TAX ALLOWANCES AND CHILD BENEFIT ON  
THE POVERTY AND UNEMPLOYMENT TRAPS

Supplementary Note by HM Treasury

The Committee asked for some further information about the calculations of replacement ratios described in paragraphs 10 and 11 of the note.

2. First, in respect of the table at the end of paragraph 10, the Committee asked for a more detailed explanation of the factors which were taken into account in making the calculations. What the table shows is the ratio of <sup>weekly</sup> net out-of-work income, including housing benefits to net in-week income for each of the illustrative household types. For this purpose the out-of-work are assumed to have been unemployed for at least twelve months and to remain so for the remainder of the 1984-85 tax year. As a result their entitlement to unemployment benefit has expired; instead, supplementary benefit (SB) is in payment - which in turn gives automatic title to an addition for heating costs (where at least one child is under the age of 5) and full 100 per cent rent and rates rebates. The new housing benefit tapers and minima which come into effect this November are taken into account; so too, for the non-householder under the age of 18, are the change in the non-dependents' deductions. In addition it is assumed that FIS prescribed amounts and maxima, housing benefits needs allowances, child benefit and SB rates are all uprated by an illustrative 5½ per cent in November. The in-work are assumed to stay employed throughout the tax year.

3. Because the period of unemployment is assumed to last throughout the financial year, the real increase in personal allowances proposed in the Budget does not have any effect on final income - the taxable element of SB falls short of the personal allowance whether single people or married couples are in question and SB additions in respect of dependent children and heating costs, etc are not taxable.

4. An alternative approach would have been to calculate replacement ratios for short-term spells of unemployment. But during the first weeks of unemployment the amount of benefit received can vary and there are also problems in handling the tax rebate accruing during a short-term unemployment spell. Generally speaking, the latter is not paid until the unemployed person re-enters paid work, unless the period of unemployment spans the end of a tax year.

5. To calculate net in-work income it is assumed that, where entitlement exists, FIS is claimed, as also is housing benefit in respect of rent and rates. For income tax purposes, households are assumed to have no other tax reliefs apart from the relevant personal allowance; and national insurance contributions are paid at the contracted-in-rate. The head of household's earnings where he is in-work, plus the benefits to which he is entitled, or (where he is out-of-work) receipts of supplementary benefit, housing benefit, and child benefit are assumed to be the household's sole source of income; there are no wife's earnings and no significant amounts of capital or savings. Travel to work costs of £6 per week (a representative figure) are treated as necessary in-work expenses and deducted from net in-work income for the purpose of calculating the replacement ratios. Illustrative weekly rent and rates figures of £15.35 (rent) and £7.25 (rates, including £2.10 water rate) are used in the calculations (consistent with figures shown in DHSS Tax/Benefit Model Tables, November 1983).

6. Secondly, the Committee asked for some illustrative figures showing how the system operates. These are shown in the following table:

An Example of the Derivation of Replacement Ratios

(Assuming a married couple; two children, one aged 5 to 11, one under age 5; head on half average earnings; no wife's earnings).

	Out of work income	In-Work Income		
		With index- ation of allowances	With Budget measures	With indexation of allowances plus real increase in CB equal in cost to Budget over- indexation of allowances
Gross Earnings	-	91.20	91.20	91.20
Supplementary benefit <sup>(1)</sup>	55.80	-	-	-
Income tax	-	10.37	9.15	10.37
NIC	-	8.21	8.21	8.21
Child benefit <sup>(2)</sup>	13.70	13.70	13.70	17.90
Housing benefit	20.50	12.30	12.30	12.30
FIS <sup>(2)</sup>	-	4.70	4.70	0.50
<u>Less</u> rent and rates <sup>(3)</sup>	- 22.60	- 22.60	-22.60	-22.60
travel to work costs	-	- 6.00	-6.00	-6.00
Total net income	67.40	74.72	75.94	74.72
Replacement ratios (%)		90.2	88.8	90.2

7. In response to the Committee's final question, the DHSS have made calculations of the effect of the changes described in paragraph 10 of the note based on a sample of actual families becoming unemployed. The results show that, for example, in terms of weekly income the overindexation of thresholds reduced replacement ratios by one or two percentage points for over half of those with replacement ratios between 80 per cent and 100 per cent.

Footnotes to table on previous page.

- (1) Includes £2.20 addition for heating costs, and £2.10 for water rate
- (2) In the case of a real increase in CB of £2.10 per child, it is assumed that the SB of the unemployed man would be automatically abated by that amount for both children (since CB counts towards resources for SB purposes), leaving total net income unchanged. For the man in work, however, it is assumed (column 4) for the purposes of this annex that FIS is abated by the same amount, although such an abatement would involve a discretionary adjustment to the FIS rules.
- (3) Including water rates of £2.10 in respect of which housing benefit is not payable - see note (1).

The Committee decided not to publish the poverty and unemployment trap paper as an Annex to the Observations on the Budget Report. But it will be prepared to publish this paper in the form of a separate Memorandum, if the Treasury can agree to some amplification of part of the text. This relates to the table at the end of paragraph 10. The Committee would like more information about what is and is not taken into account in arriving at the percentage figures (for example, housing benefits) and believes it would be helpful if some actual figures could be quoted, so that the reader can see how the system operates. The Committee would also like it to be made clear whether the effect of raising tax allowances on the income of the unemployed has been taken into account and whether any calculations have been made of the effect of changes on a sample of actual families in the population, e.g. from the Family Expenditure Survey.

There is of course a great deal of detail in the evidence provided to the Sub-Committee in the last Parliament, but the Committee thinks that, as this is to be as it were a one-off document on which it is unlikely that the Committee will take an early opportunity to comment, it is right that it should be reasonably easy to comprehend. If possible, we would like to be able to deal with this item at next week's meeting, so that the order to print can be made before the recess.

*For: Secretary,  
Donald Limon*

D.W. LIMON  
Clerk to the Committee

A.M.W. Battishill Esq.,  
HM Treasury,  
Parliament St.,  
London SW1P 3AG.



FROM: DAVID PERETZ

DATE: 17 May 1984

MR BATTISHILL

cc Chief Secretary  
Financial Secretary  
Minister of State  
Economic Secretary  
Sir P Middleton  
Sir T Burns  
Mr Bailey  
Mr Littler  
Mr Anson  
Mr Cassell  
Mr Scholar  
Mr Odling-Smee  
Mr Monger  
Mr Ridley  
Mr Norgrove

TREASURY AND CIVIL SERVICE COMMITTEE

The Chancellor has seen your minute of 16 May.

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D L C PERETZ

FROM: A M W BATTISHILL  
DATE: 16 May 1984

CHANCELLOR OF THE EXCHEQUER

- cc Chief Secretary
- Financial Secretary
- Minister of State
- Economic Secretary
- Sir P Middleton
- Sir T Burns
- Mr Bailey
- Mr Littler
- Mr Anson
- Mr Cassell
- Mr Scholar
- Mr Odling-Smee
- Mr Monger (o/r)
- Mr Ridley (o/r)
- Mr Norgrove

*S*  
 All v. tiresome, including X.  
 Mr B describes work for the  
 TCSC as becoming a cottage  
 industry. *Phil*

*X is, as you say, tiresome. But we  
 shall have to comply, either it is  
 so complex to provide no additional*

TREASURY AND CIVIL SERVICE COMMITTEE

... I think you should see the letter I have received this morning from the Clerk to the Treasury Committee, in which he conveys some mild complaints from the Committee about the style and content of our observations on their reports. I am circulating this to other Treasury Ministers in view of the reference to Mr Higgins possibly taking this up with Ministers when he sees them.

*my friend is a self-  
 contained Annot. I can't judge  
 this. After no complaint  
 about  
 our  
 replies,  
 the only  
 criticism  
 we had  
 makes  
 it XX.  
 And if no  
 other take to  
 include the  
 argument in their  
 conclusions, we  
 shall have to  
 reply  
 in lines.  
 etc.*

2. I am in touch separately with FP about the second half of the letter, and the need to amplify still further our paper on the poverty and unemployment traps. Not surprisingly, the initiative on this apparently comes almost entirely from Mr Ralph Howell.

3. On the main part of the letter, the Committee seem to have two complaints:

- (a) that we are misrepresenting (or not fully representing) the substance of their recommendations; and it would be better if we were to reproduce the text of what they say before going on to comment on it;
- (b) that we are not dealing fully enough, or in a fully reasoned way, with all the arguments underlying their recommendations.

In both cases, it is the reply to the Committee's Budget enquiry that has displeased them - though it may be relevant that this is the third reply in short order (following that on the PEWP and HOTGAS reports) where the Government has had to turn down a good deal of what the Committee have recommended.

4. I believe the first criticism came mainly from Mr Wainwright; and that he applied it to both parts of our reply, dealing with revenue and expenditure and the Committee's views on asset sales. ... For convenience, I attach a copy of our reply and the relevant ... paragraphs from the Committee's Budget Report.

5. I find this rather puzzling. On revenue and expenditure the Committee's recommendation (reproduced in bold type), strictly stated, is as follows:

"We think it would be helpful for the House to be told what these firm limits are and the criteria which have been used to determine them. We recommend accordingly."

6. As this stands it makes no sense to the uninformed reader; and in paragraph 2 of our reply we tried to put it in context. The first sentence is taken almost literally from the first sentence of paragraph 5 of the Committee's report. Of course, we have not picked up all the Committee's unflattering obiter; but that hardly warrants a charge of misrepresentation.

7. In dealing with asset sales, the Committee's recommendations are contained in paragraphs 33 and 34. There can be no question here of misrepresentation, because we neither repeated nor paraphrased these paragraphs. If there is a complaint it is simply that the Committee's views were not restated in our reply. The Committee mostly referred to the "accounting" treatment of asset sales, whereas our reply spoke of their "statistical" treatment; but in context this is a distinction without a difference.

XX | 8. If it would help, I can see no objection to reproducing the text of the Committee's recommendations when we deal with their future reports. But for that to be an improvement the Committee will need to take a little more care with their own drafting. I am sure the Clerk is aware of this, and that is what lies behind the reference to the Committee not finding this easy.

9. The Committee's second criticism relates, I believe, more to our reply on asset sales. This was deliberately short. But the subject has been endlessly discussed with the Committee during their enquiries on the Autumn Statement, the Public Expenditure White Paper and the Budget. More than half the Government's reply on the first of these was devoted to asset sales; and the Government's view of the matter was reaffirmed again briefly when we replied to their report on the White Paper. The Committee produced no new arguments in their Budget Report and that is why, with your agreement, the Treasury reply was kept short. I suspect that what is really bugging the Committee (or some members of it) is less the style of our reply than that they have made no headway in persuading Ministers to their point of view. But if Mr Higgins raises the matter you can fairly point to the amount of time and attention (both in oral evidence and in our succession of written replies) that has been given to this particular subject.

10. There is a touch of pots and kettles about the Committee's claim that the Treasury has relied more on brief assertion than on reasoned comment.

*AMB*  
A M W BATTISHILL



COMMITTEE OFFICE  
HOUSE OF COMMONS  
LONDON SW1A 0AA  
01-219 3285 (Direct Line)  
01-219 3000 (Switchboard)

TREASURY AND CIVIL SERVICE COMMITTEE

15th May 1984

*J. C. Jones,*

Thank you for your letters of 9th May, enclosing the Government's observations on the recommendations in the Committee's Report on the Budget and the revised copy of the paper on the Effects of Increases in Tax Allowances and Child Benefit on the Poverty and Unemployment Traps. Both of these were considered at yesterday's meeting of the Committee.

The observations on the Budget Report will be published without comment in the usual form of a Special Report - I hope towards the end of next week. However, the Committee asked me to pass on a few comments - some of which the Chairman may take the opportunity to make to Ministers when he sees them.

The Committee realises that it is on new ground in this Parliament in requiring Replies to Reports. The technique of drawing up appropriate parts of Reports in the form of recommendations so as to elicit replies is one which the Committee does not find easy, but you may find that these increase in number in future. When a specific recommendation has been made, the Committee prefers the convention which some Departments follow of quoting the recommendation in full in the Reply. Otherwise, a summary of the Committee's view can lead to the accusation that it does not do justice to what the Committee said - as it did in the case of the Reply to the Budget Report. More importantly - although this is something on which the Committee can only express a wish - Members feel that in replying to Reports the Treasury should deal more fully with the arguments adduced in the text. On asset sales, for example, the Committee considers that the Treasury have relied more on brief assertion than on reasoned comment. These are difficult areas and no doubt both sides will improve as things develop.

The Committee decided not to publish the poverty and unemployment trap paper as an Annex to the Observations on the Budget Report. But it will be prepared to publish this paper in the form of a separate Memorandum, if the Treasury can agree to some amplification of part of the text. This

13/18

relates to the table at the end of paragraph 10. The Committee would like more information about what is and is not taken into account in arriving at the percentage figures (for example, housing benefits) and believes it would be helpful if some actual figures could be quoted, so that the reader can see how the system operates. The Committee would also like it to be made clear whether the effect of raising tax allowances on the income of the unemployed has been taken into account and whether any calculations have been made of the effect of changes on a sample of actual families in the population, e.g. from the Family Expenditure Survey.

There is of course a great deal of detail in the evidence provided to the Sub-Committee in the last Parliament, but the Committee thinks that, as this is to be as it were a one-off document on which it is unlikely that the Committee will take an early opportunity to comment, it is right that it should be reasonably easy to comprehend. If possible, we would like to be able to deal with this item at next week's meeting, so that the order to print can be made before the recess.

*Yours sincerely,  
Donald Limon*

D.W. LIMON  
Clerk to the Committee

A.M.W. Battishill Esq.,  
HM Treasury,  
Parliament St.,  
London SW1P 3AG.

## THE 1984 BUDGET

### Note by HM Treasury

This note gives the Government's observations on the two recommendations made by the Treasury and Civil Service Committee in its report on the 1984 Budget (Session 1983-84, Fourth Report, HC-341).

#### Revenue and Expenditure

2. The Committee notes that the Government's policy in relation to taxation and public expenditure is that revenue should determine expenditure, not the other way about. It recommends that the House of Commons should be informed of the limits on "what can be afforded", and the criteria which have been used to determine them.

3. The Government welcome the Committee's attention to this important area of policy. As the Green Paper on "The Next Ten Years" makes clear, the Government take the view that public spending has in the past grown too fast, and that the levels of taxation and of public borrowing have been too high. Firm control of public spending and lower public borrowing are integral to the Medium Term Financial Strategy. This provides the framework for ensuring that fiscal policy is consistent with monetary policy, and that public expenditure and taxation are consistent with a downward path for public borrowing. The need to reduce both borrowing and taxation over the medium term constrains the level of public spending that can be afforded, and the Medium Term Financial

Strategy therefore provides the starting point for decisions about total public spending. It is in this strategic sense that revenue determines public spending.

4. The fact that for the year immediately ahead expenditure decisions are taken in advance of operational tax decisions is secondary to these strategic considerations. The Government's spending decisions are taken in the context of the framework set out in the MTFs and in the light of an assessment of the prospects for the coming year, including the prospects for revenue. When the Chancellor comes to prepare his Budget, he must retain flexibility to make whatever proposals are necessary in the light of circumstances and the latest available view of the economy. But the Government do not accept that there is any inconsistency between these procedural arrangements and the determination of the main strategic framework for revenue, borrowing and spending in the MTFs.

5. As the Chancellor of the Exchequer said to the Committee in evidence, the appropriate level of taxation (as of borrowing and public spending) and the considerations underlying it, are a matter of judgement. The Government will continue to inform the House of Commons of its proposals for the level of taxation, borrowing and public spending, at the appropriate times.

#### Asset Sales

6. The Government have given further consideration to the question of the statistical treatment of asset sales. The Government accept that the composition of the revenues and expenditures which

go into producing a given PSBR is relevant to an assessment of the fiscal stance, as the Chancellor made clear in his Budget statement. But they remain of the view that changes in the statistical treatment of asset sales, which is recognised internationally, would be inappropriate. Figures for asset transactions are published in some detail in the Public Expenditure White Paper, and the figures for special sales of assets assumed in preparing the MTFS are published in the Financial Statement and Budget Report.

*Does Revenue determine Expenditure?*

5. We have referred in earlier reports to the Government's stated policy that revenue should determine expenditure not the other way about. The introduction to the Green Paper on "The Next Ten Years" spells out the reasons for this. "The growth of public spending has, over the past twenty years, been the motive force which has driven ever upwards the burden of taxation on individuals and companies alike. The Government believes it is necessary to reverse this process ..."<sup>8</sup>

6. The policy is clearly supposed to apply to both short and long term decisions. In view of its importance we thought it right to take evidence from the Chancellor himself on how it is being operated in practice, and in particular the criteria which are used in determining the availability of finance. The following exchanges on the subject took place:

*Chairman:* "Could you tell us how the mechanism, by which that process of determining the finance available before you determine expenditure, actually operates?"

*Chancellor:* "I think the concept is that, having regard to the size of the economy as a whole, one takes a view of what level of taxation it is prudent to have and what level of borrowing requirement it is prudent to have. That leaves a total figure for public expenditure and that is, broadly speaking, the thinking behind it."<sup>9</sup>

*Chairman:* "On what criteria are you determining the level of finance to be raised?"

*Chancellor:* "It is a matter of judgment as to what is a proper level of taxation. The Medium-Term Financial Strategy looks ahead several years, as this Committee knows very well, and that means that the Treasury takes a view which it puts to the Cabinet at the beginning of each public expenditure round as to the level of public expenditure which we consider to be appropriate."<sup>10</sup>

*Chairman:* "On what criteria do you determine the level of taxation?"

*Chancellor:* That is a matter of judgment."<sup>11</sup>

7. If there are no clear criteria by which the availability of finance is to be determined and it is merely a matter of judgment, it is difficult to understand how the figure for the level of taxation can be effective in restraining expenditure. The Chancellor implies that the old policy of expenditure determining revenue has already been reversed. **But it is difficult to discover what the new mechanism is or how it is applied in practice during the course of the financial year.**

8. It seems to us that expenditure still determines finance, not the other way about, not least because spending plans are set out three years in advance while taxes are adjusted from year to year as necessary. The MTFS has brought about a reduction in *borrowing*, but this only means that tax rates respond more rapidly than before to over-shooting in spending.

<sup>8</sup>Cmd 9189, para 4.

<sup>9</sup>Q.350.

<sup>10</sup>Q.352.

<sup>11</sup>Q.353.

9. Finance will not truly determine expenditure until there are medium-term plans for taxes which have equal status with the medium-term plans for public spending. In this context we find the Chancellor's initiative in setting out his advance plans for corporation tax rates a welcome step in the right direction. But until there are similar quantitative guidelines for other taxes, expenditure will tend to determine finance.

10. Obviously the Chancellor and Cabinet can decide that the present level of taxation is too high and ought to be reduced in future. But that is hardly an objective quantitative restraint. It is not clear why the availability of finance which "can be afforded"<sup>12</sup> must be less next year than this or indeed why it should vary from year to year. Moreover, Parliament determines the rates and structure of taxation, but cannot determine the amount of revenue raised. If revenue is higher than expected, are we to understand more expenditure can be afforded? If so, are cash limits to be adjusted accordingly?

11. Of course, we fully recognise that the Medium Term Financial Strategy sets a framework within which spending decisions can be taken. But its history, recounted in our earlier reports, suggests that public expenditure has in practice frequently exceeded the MTFS assumptions and subsequently borrowing, asset sales and taxation have had to be adjusted.<sup>13</sup> In other words expenditure has determined taxation despite the MTFS.

12. Moreover, the FSBR documents are always careful to note that the medium-term revenue and expenditure projections are "illustrative", and only become reasonably firm on a one year in advance basis. Within the annual spending and revenue exercise, the main spending elements are decided after the summer expenditure survey, and first published in summary form in the Autumn Statement, whilst the revenue decisions are made last. In reply to our predecessor's report on budgetary reform, HM Treasury said:

"To table specific proposals [on taxation] in November would mean formulating them several months earlier than is operationally necessary, and they would almost certainly be overtaken in several respects, before Budget time."<sup>14</sup>

13. While it is true that it makes some sense to reserve for the last minute any decision on how the PSBR should be adjusted to take account of cyclical fluctuations, this only applies at the margin. By the time of the Budget the reality is that the overall revenue decision has been largely pre-empted by prior events.

14. The situation is also confused because some of the MTFS figures are said to be illustrative ranges not forecasts, targets or limits. We presume that, if in practice the Chancellor intends that revenue is to determine expenditure, firm limits on "what can be afforded" are set. We think it would be helpful for the House to be told what these firm limits are and the criteria which have been used to determine them. We recommend accordingly.

<sup>12</sup>Q.351.

<sup>13</sup>HC(1983-84) 285, paras 23 and 24.

<sup>14</sup>Observations by HM Treasury on Budgetary Reform; HC(1981-82) 521, para 6.

"It is undoubtedly true that changes of both kinds [estimating changes as well as new policy initiatives] are now to be charged to the Reserve so that the increase in the size of the Reserve is, in effective terms, somewhat less than one might have at first glance supposed. But it is, nevertheless, for all that, significantly larger than Reserves we have operated with before."<sup>37</sup>

28. Overall, our assessment is that, compared to last year's intentions, the fiscal stance has been somewhat slackened.

#### ASSET SALES

29. In our Report on the Autumn Statement, we made a number of recommendations with regard to the treatment of asset sales in the public sector accounts and in the formulation and presentation of Government policy.<sup>38</sup> In particular we argued that:

- asset and gilt sales should be treated alike as a means of financing the PSBR because their economic effects are similar;
- investment in *new* assets should be distinguished from purchases less sales of *existing* assets which represent a change in ownership rather than additional expenditure;
- the PSBR figures quoted in debates in the House of Commons and general discussion should not be reduced by asset sales so as to avoid giving a distorted indication of fiscal stance and the implications for monetary policy.

30. The Government has rejected these recommendations. The reasons given are, first, that while asset sales are towards one end of a spectrum of public sector transactions in terms of their effect on financial conditions, there is no reason why they should be treated as a financing item where others with similar small monetary effects (capital taxes, for example) are not. Secondly, it is contended that there is considerable value in maintaining a symmetrical and stable system of accounts—that to treat asset sales as a financing item and asset purchases as additional spending would create unjustified asymmetry and that the assets now being sold should be counted as reducing borrowing since they increased it when they were purchased. Neither of these arguments seems to us to be a strong enough reason for preserving the present treatment.

31. In the first place, according to the evidence we have received, asset sales are far closer to sales of gilts in terms of their economic effects than to other public sector transactions. By common consent, they are unlikely to have any significant effect on income or real wealth and therefore they can be expected to have at most a marginal influence on aggregate expenditure. In this, a distinction can be drawn between them and other items in the public accounts, including capital taxes, which no-one would regard as analogous to sales of gilts in their effects. In his evidence to us, the Governor of the Bank of England seemed to lend some support to our recommended treatment, referring to public sector assets and gilts as alternative forms of portfolio investment for the private sector, the choice between them depending on the circumstances prevailing at the time.<sup>39</sup>

<sup>37</sup>Q.184.

<sup>38</sup>HC(1983-84) 170, paras 26-38.

<sup>39</sup>QQ.9-11.

32. In the second place, there is no particular merit in maintaining a stable accounting system if, as we believe, it is liable to give a misleading indication of developments. Moreover the Government is mistaken in suggesting that we were advocating an asymmetrical treatment of asset transactions. In fact, our recommendations were intended to apply to asset purchases as well as sales. It is our contention that neither should be included as a positive or negative part of public expenditure but should be treated in an analogous way to transactions in gilts. If assets are purchased, then it means that for a given PSBR more gilts need to be sold—in much the same way as when it is decided to undertake over-funding; but under such circumstances it is likely to prove easier to sell such gilts; and the economic effects of the change in the composition of private sector financial holdings are unlikely to be large.

33. We continue to believe that the Government should change the accounting treatment of asset transactions and should differentiate between investment in new assets and purchases less sales of existing assets, instead of amalgamating these very different transactions together as is done under present conventions. We therefore repeat the recommendations which we made in our Report on the Autumn Statement and ask the Government to give the matter further consideration.

34. Irrespective of whether accounting conventions are changed, we remain convinced that the Government should not deduct asset sales from the measure of borrowing which it chooses to use as an indicator of fiscal stance and as a target in policy-making.

35. Moreover, it is our view that transactions whose demand effects and revenue effects are very different should not be given the same weight as other transactions in computing the main yardstick of fiscal policy. Apart from asset sales, another example of measures with differing demand and revenue effects are accruals adjustments. One of these which featured prominently in the Budget was the accelerated VAT payments on imports (see paragraph 25(a)). This is a one-off receipt and should not be treated as if it financed a continuous expenditure flow.

36. In other words, what we are saying is that the *composition* of revenues/expenditures which go into producing a given PSBR is also relevant to an assessment of the fiscal stance, and that this assessment does not rely on the size of the PSBR alone. This distinction is especially important now that asset sales and accruals adjustments have recently been used to produce a PSBR of a size desired by the Government.

#### THE EXCHANGE RATE

37. For some years now the authorities have acknowledged that they are not “indifferent” to the exchange rate,<sup>40</sup> but it has always been difficult to discern what this implies about the day-to-day operation of exchange rate policy. In what we regard as an important improvement in the level of public knowledge in this area, the Deputy Governor of the Bank of England, when speaking of the relationship between monetary and exchange rate policy, said:

“... in certain circumstances if we judge that the exchange rate is abnormally high and therefore exerting by itself a deflationary downward

<sup>40</sup>For example HC(1983-84) 170, Q.8.

RESTRICTED

FROM: A M W BATTISHILL  
DATE: 3 August 1984

MR GILMORE

cc PPS  
PS/Chief Secretary  
PS/Minister of State  
Sir P Middleton  
Mr Kemp  
Mr Sinclair  
Mr Pratt

**TCSC: ACCEPTANCE OF OUTSIDE APPOINTMENTS BY CROWN SERVANTS**

I heard this morning from the Clerk that the Treasury Committee are planning to publish the report of Mr Austin Mitchell's Sub-Committee on this, with a press conference, on 20 September. Confidential final-revise copies should be available on 18 September, and the Clerk has promised to send us one. I gained the impression that the Report would be much less charged than early indications might have suggested.

*AMB*  
A M W BATTISHILL

RESTRICTED

FROM: H C GOODMAN  
DATE: 8 AUGUST 1984

PS/INLAND REVENUE  
PS/CUSTOMS & EXCISE  
MR BINNS  
MR ILETT  
MR STANDEN  
MR L WATTS  
MR WOODALL  
MR KALEN  
MR A CARTER  
MR GILHOOLEY  
MR J REED  
MR G S CAMPBELL  
MS V J CARPENTER

cc Mr Pratt  
Mr D Baillie - 82/2

**TCSSC: ASSOCIATED PUBLIC BODIES**

Mrs Flanagan in the MPO has written to ask us to cross-check her revision to the list of the Treasury's Associated Public Bodies.

2. I would be pleased if you could check the status of those bodies which are your responsibility:

PS/IR	- Income Tax Commission S463 Tribunal
PS/C&E	- VAT Tribunals
Mr Ilett	- Bank of England, RFS
Mr L Watts	- Royal Mint, NILO
Mr Standen	- DNS
Mr Woodall	- COI, GAD, Advisory Committee on Advertising
Mr Kalen	- NEDC
Mr Carter	)
Mr Gilhooly	) - Review Bodies
Mr J Reed	- Advisory Panel (S.482 ICTA 1970)
Mr G S Campbell	- Treasure Trove Reviewing Committee
Ms V Carpenter	- Review Board for Government Contracts

3. Perhaps Mr Binns could cross-check the others (HMSO, Chequers Trust, Office of the Lord Lyon) against the Treasury Estimate and also let me know if there are any others which should be included.

4. As far as I am aware there is one body missing from the list - the Review Body for Nurses and other NHS professionals.

5. I would be grateful for responses by Tuesday 28 August 1984.

*H C Goodman*  
H C GOODMAN



MANAGEMENT AND PERSONNEL OFFICE  
70 Whitehall  
London SW1A 2AS  
Telephone 233 7217

CABINET OFFICE

Mr D Norgrove  
H M TREASURY  
Parliament Street  
SW1

17 July 1984

*Dear David*

*Mr. Pratt  
Yours now.  
Ms Hoodman  
Please have a  
look at this.  
D. Norgrove  
17/7  
R.D. 19/7*

TCSSC: ASSOCIATED PUBLIC BODIES

During some recent correspondence on the Committee's look at the Estimates the Clerk provided a list of bodies which the Committee considered to be 'associated public bodies' of the Treasury and MPO (copy attached). The list was compiled in 1979/80 and is now very out of date; it also contains some Cabinet Office bodies which cannot be said to be 'civil service' related bodies within the Committee's remit.

If we leave the list unchallenged we risk the TCSSC saying at some future date that we must have accepted it because we have never challenged it. But there are risks in challenge, so, I would not want to make a great issue of it. I therefore propose to write in a 'by the way' fashion to the Clerk, pointing out that his list is out of date and does not reflect amongst other things, the division of CSD's responsibilities between Treasury and MPO.

I shall need to get Sir Robert Armstrong's agreement to this, but I should be grateful if you would meanwhile look at the attached revised list, and confirm that we have correctly listed the Treasury bodies, and let me have any other comments. You will see that I have suggested some rewording and relabelling - the TCSSC list is very curious. I have also left off the Treasury Solicitor's Department. Is this right? Or do you have some 'pay and rations' responsibility as for COI and HMSO?

*Yours sincerely*

*Benie Flanagan*

MRS E C FLANAGAN  
Machinery of Government Division

TREASURY AND CIVIL SERVICE SELECT COMMITTEE

A TREASURY

(1) Government Departments for which the Chancellor of the Exchequer has some responsibility

Central Office of Information  
Department for National Savings  
Government Actuary's Department  
Her Majesty's Stationery Office  
National Investment and Loans Office  
Registry of Friendly Societies  
Royal Mint

(2) Non-Departmental Public Bodies sponsored by the Treasury, Inland Revenue or Customs and Excise

(a) Public Corporations

Bank of England

(b) Executive NDPBs

Chequers Trust  
National Economic Development Council/Office  
Office of the Lord Lyon\*

(c) Advisory NDPBs

Advisory Panel (s ICTA Act 1970)  
Review Board for Government Contracts  
Royal Mint Advisory Committee  
Treasury Trove Reviewing Committee  
Advisory Panel on Treasure Trove in Scotland  
Advisory Committee on Advertising (advises COI)  
+ Armed Forces, Doctors and Dentists, Top Salaries,  
Pharmacists Review Bodies.

(d) Tribunal NDPBs

The General Commissioners of Income Tax  
S.463 Tribunal  
VAT Tribunals (Customs & Excise)

(Inland Revenue)

B MPO

(1) Non-Departmental Public Bodies (Advisory)

Advisory Committee on Business Appointments  
Civil Service Appeal Board  
Civil Service College Advisory Council  
Civil Service Medical Appeal Board  
Civil Service Medical Review Board  
Three Advisers  
[Security Commission]



COMMITTEE OFFICE  
HOUSE OF COMMONS  
LONDON SW1A 0AA  
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TREASURY AND CIVIL SERVICE COMMITTEE

List of Associated Public Bodies

1. Bodies within the Chancellor's responsibility

- Bank of England *as of 1/1/70*
- ✓ National Debt Office/Public Works Loan Board *(these two bodies are in the process of being merged) (merged with NILC)*
- ✓ Royal Mint
- ✓ Department for National Savings
- ✓ Registry of Friendly Societies
- ✓ Treasury Solicitor's Office
- ✓ ~~Exchequer Office, Scotland~~ *wound up*
- ✓ Office of the Lord Lyon

2. H.M. Treasury advisory bodies

- ✓ National Economic Development Office *+ NEDC*
- Advisory Panel (s.482, Income and Corporation Taxes Act 1970)
- ~~Committee to Review the Functioning of the Financial Institutions~~
- ~~Property Advisory Panel\*~~ *wound up*
- ✓ Review Board for Government Contracts
- Royal Mint Advisory Committee
- Advisory Panel on Treasure Trove in Scotland (see Exchequer Office)
- Treasure Trove Reviewing Committee

3. H.M. Treasury executive body

- ✓ Chequers Trust

4. Inland Revenue tribunals

- ~~Board of Referees\*~~ *wound up*
- The 488 General Commissioners of Income Tax
- S. 463 (Income & Corporation Taxes Act 1970) tribunal

5. H.M. Customs & Excise tribunals

- The VAT tribunals (convened ad hoc as required)

\*These bodies are being wound up.

*Expenditure Control Committee?*  
*Government Hospitality Fund*

6. Bodies for which Civil Service Ministers are responsible

- ✓ H.M.S.O.
- ✓ Central Office of Information
- ✓ Government Actuary's Department
- ✓ Government Hospitality Fund - *transferred to C.S.O.*

7. Civil Service Department advisory bodies

- Advisory Committee on Business Appointments \*
- Civil Service Appeal Board \*
- ✓ Civil Service College Advisory Council ↓
- ✓ Civil Service Medical Appeal Board ↓
- ✓ Civil Service Medical Review Board ↓
- ~~Civil Service Pay Research Unit Board~~ *would be*
- ✓ Government Hospitality Advisory Committee for the purchase of wine  
*Review Body on wages + other staff remuneration*
- ✓ Review Body on Armed Forces Pay
- ✓ Review Body on Doctors' and Dentists' Remuneration
- ✓ Review Body on Top Salaries
- Security Commission \*
- The Three Advisers ?
- ✓ Advisory Committee on Advertising (advises the C.O.I.)

8. Cabinet Office advisory bodies

- ✓ (The Cabinet Office includes the Central Policy Review Staff and the Central Statistical Office)
- Advisory Council for Applied Research and Development
- Women's National Commission

*these should appear anyway  
Cabinet Office*

4th February 1980

C. J. Poyser  
Assistant Clerk



COMMITTEE OFFICE  
HOUSE OF COMMONS  
LONDON SW1A 0AA  
01-219 5766 (Direct Line)  
01-219 3000 (Switchboard)

cc MR. PEROTZ <sup>512</sup>  
MR. P. MIDDLETON  
MR. B.T. GUMWON  
MR. PRATT.

*[Handwritten signature]*

*[Handwritten letter 'D']*

TREASURY AND CIVIL SERVICE COMMITTEE

PRESS NOTICE

Acceptance of Outside Appointments by Crown Servants

The Eighth Report from the Treasury and Civil Service Committee, entitled 'Acceptance of Outside Appointments by Crown Servants' will be published on Thursday 20 September as HC(1983-84)302. A press conference will be held in Committee Room 15 at the House of Commons at 11.00 a.m. on that day.

Confidential Final Revise copies of the Report will be available under the usual arrangements from room 309, St Stephen's House, Embankment, SW1, and in the press gallery, House of Commons, from 2.30 p.m. on Tuesday 18 September.

13 September 1984

S. Priestley

FROM: R PRATT  
DATE: 21 SEPTEMBER 1984

SIR PETER MIDDLETON

cc Principal Private Secretary (without enclosure)  
PS/Chief Secretary                    "  
PS/Financial Secretary                "  
PS/Economic Secretary                "  
PS/Minister of State                 "  
Mr Bailey                                "  
Mr Littler                               "  
Mr Kemp                                 "  
Mr Pearce                               "  
Mr Battishill                          "  
Mr St Clair o/r                         "  
Mr Page                                 "  
Mr Dyer                                 "

### OUTSIDE APPOINTMENTS FOR CIVIL SERVANTS

I attach a copy of the Eighth Report by the Treasury and Civil Service Committee on Acceptance of Outside Appointments by Crown Servants which was published yesterday.

2. The Report makes a number of recommendations designed to tighten the rules governing the acceptance of business appointments including an extension of the maximum break period from two to five years for Under-Secretaries and above. There is also a far-reaching recommendation that it would be appropriate in principle for the business appointment rules to be adopted throughout the public sector. A recommendation requiring particular study by the Treasury is that, if and when evidence should become available of breaches of the rules, the Government should make it clear that it is prepared to abate automatically the pensions of those who defy the rules.

3. MPO, who are in the lead on this issue, are saying no more publicly at this stage than that the Report is under study.

---

R PRATT



FROM: DAVID PERETZ

DATE: 31 October 1984

CHANCELLOR

**MEETING WITH MR HIGGINS**

The particular point you were going to make to Mr Higgins was to put him on notice of the acute legal complications that could arise where you (or, I suppose, Treasury officials) to be questioned by the TCSC about the Autumn Statement in the period between BT impact day and the start of dealings.

2. Since impact day is now widely expected to be 16 November, I think you could tell Mr Higgins this probably means a period of purdah between 16 November and 3 December. This of course will give him a broad hint that the Autumn Statement is planned to be before 16 November, but it is hard to see how you can avoid that. Mr Higgins will appreciate that such a timetable would mean putting off the TCSC hearings until early December, and the Parliamentary debate on the Autumn Statement until just before Christmas.

3. The brief you have sets out the current work of the TCSC. I suggest you just ask Mr Higgins to let you know about his work programme, and plans. And also, if there is an opportunity, remind him again about the burden of work his Committee continues to place on the Treasury.

D L C PERETZ

FROM: R PRATT  
DATE: 30 OCTOBER 1984

CHANCELLOR OF THE EXCHEQUER

cc Chief Secretary  
Financial Secretary  
Economic Secretary  
Sir Peter Middleton  
Mr Unwin  
Mr Battishill  
Mr Scholar  
Mr Fitchew

MEETING WITH MR HIGGINS - CHAIRMAN OF THE TCSC

You may care to note the latest state of play on the various TCSC enquiries before your meeting with Mr Higgins tomorrow.

(1) **The EC Budget**

The Economic Secretary gave oral evidence to the Committee yesterday (29 October). The appearance was on Mr Higgins' insistence (against the Treasury's advice that the present state of negotiations made it difficult for the Government to be very forthcoming). As expected, the Economic Secretary was pressed on how any new Budgetary discipline arrangements could contain agricultural spending (an anxiety highlighted in the TCSC Report on Fontainebleau, published on 9 July). I understand that Mr Higgins may be writing to you tonight on this point, and on the question of the appropriate mechanics for seeking Parliament's approval of the proposed Inter Governmental Agreement on the 1984 Supplementary Budget. The Committee do not, however, intend to issue another Report in the light of the Economic Secretary's evidence.

(2) **Likierman**

Mr Battishill and Mr Scholar gave oral evidence on October 22, on the Government's response to the Likierman/Vass report on the structure and form of financial information published by the Government. The Committee gave Treasury witnesses some critical questioning but were not impressed by the Likierman proposal for a 'UK Budget' document on Budget day, as that would delay detailed consideration of the Government's public expenditure plans. Mr Higgins used the opportunity, once again, to press the Procedure Committee points on Parliamentary control of long term capital expenditure and on the possibility of updating the MTFs at the time

See pp 30-37

of the Autumn Statement. A copy of the transcript of the evidence (as amended in the Treasury) is attached.

(3) **Membership of the European Community**

The response to the sub committee's long questionnaire (almost 60 questions), which was sent to us before the recess, is now almost ready and should be submitted in the next few days. This is a little behind the deadline of October 22 - the delay caused by the extensive amount of inter-Departmental consultation required to clear the response.

(4) **Long Term Trends**

The Committee's first round of questions to Departments and the Treasury were answered earlier in the summer. Almost all the responses to the Committee's second round of questions to Departments are now in. The Committee will probably publish Departmental responses and then start a programme of oral evidence from spending Departments which will lead up to evidence from the Treasury next May, with a report published in the 1985 summer recess.

(5) **Future Business**

Apart from its work on Long Term Trends and the sub-Committee's work on the consequences of EC Membership, the Committee will, in the coming months, consider the Autumn Statement and the Public Expenditure White Paper. Last year Mr Higgins was most upset because the House debated the Autumn Statement about a week after the Statement was published. This timetable did not give the TCSC any time to consider the Autumn Statement and report before the debate. Mr Higgins may well raise this issue with you tomorrow, as well as probably asking you when the Autumn Statement will be.



C  
If he does, I can't see you can do much except note what he says. [You can hardly press him to agitate for the debate to be put off until after Christmas - which is many ways we'd like] More generally, you might mention again the burden of work he'll place on the Treasury.

*Richard Pratt*  
R PRATT



- p8. delete his word of  
answer to 9.16.

COPY

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TREASURY AND CIVIL SERVICE COMMITTEE

23<sup>rd</sup> October 1984

Dear Mr Murphy

I enclose a transcript of the evidence given by you to the Committee. I should be grateful if you would examine this and make in ink, in your own handwriting, such alterations as are:

- i) restricted to the correction of inaccuracies in the reporting of the evidence; or
- ii) restricted to the correction of matters of fact which do not materially alter the general sense of any answer.

Minor alterations to the style or grammar of any answer should not be made.

You should not alter any question, and if you wish to explain or give any additional information, you may either submit a footnote to your evidence at the appropriate point, or submit a memorandum.

I should be grateful further if you would return the corrected copy to reach me within *seven* days\* from the date of this letter. If special circumstances make this impossible, please let me know, but if I do not hear from you to that effect, and do not receive the corrected transcript within the time indicated, the evidence will be published in its original form.

Although your evidence was taken in public, you should not make any public reference to this transcript without indicating clearly that it is an uncorrected document, and that the final form of its publication has not yet been approved by the Committee.

Yours,  
Steve Barrett

S.D. Barrett  
Assistant to the Clerk to the Committee

Enc.

\* i.e. on or before 30.10.84.

PROOF: IN CONFIDENCE UNTIL PUBLISHED Ev. 1

MINUTES  
OF  
EVIDENCE  
TAKEN  
BEFORE  
TCSC  
22/10

HOUSE OF COMMONS  
MINUTES OF EVIDENCE  
TAKEN BEFORE

TREASURY AND CIVIL SERVICE COMMITTEE

MONDAY 22nd OCTOBER 1984

MR A M W BATTISHILL, MR M C SCHOLAR, MR A LIKIERMAN and MR P VASS

Evidence heard in Public

Questions 1 - 100

MEMBERS' CORRECTIONS

Any Member of the Committee who wishes to correct the Questions addressed by him to a Witness is asked to send the correction to the Committee Clerk as soon as possible.

Members receiving these Minutes of Evidence are asked to ensure that the Minutes are confined to the object for which they are printed the special use of the Members of the Committee - and are not given wider circulation.

MONDAY 22 OCTOBER 1984

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Members present:

Mr Terence Higgins, in the Chair  
Mr John Browne  
Mr Mark Fisher  
Mr Roger Freeman  
Mr Austin Mitchell  
Mr Richard Wainwright

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MEMORANDUM SUBMITTED BY H M TREASURY

Examination of Witnesses

MR A M W BATTISHILL, Under Secretary, Central Unit, and  
MR M C SCHOLAR, Under Secretary, General Expenditure Policy  
Group, H M Treasury, called in and examined.

Chairman

1. Mr Battishill, we are delighted to see you and Mr Scholar and we are grateful to you for coming before the Committee on this occasion. We are glad particularly that you are able to come because I think it is fairly widely known that many Members of the House and certainly those who took part in the debate on the Report of the Procedure Committee on Finance about a year ago were very disappointed with the response of the Government to some of the proposals in that Report. You will recall they covered a number of things: control of borrowing, control of non-supply expenditure, long term projects, and a wider question raised earlier by the Armstrong Committee Report in particular with regard to whether there should be a green budget and whether there should be integration of the revenue and expenditure sides of the budget. Subsequently, we have had published this Report on the Structure and Form of Government Expenditure Reports, by Mr Likierman and Mr Vass, and you have been good enough to respond

to some of the points in that in your note to us, and we thought it would be useful therefore, since there seems to be some sign of - I was going to say "change of heart" but we will say - "further progress" in this direction, if we might at the very beginning of the House's return from the recess take some evidence upon it to clear our own minds on it. We are very glad indeed that you are able to be here. I think I will start by asking whether there are any particular points you would like to make at the outset before we actually go into questions.

(Mr Battishill) No, I do not think we have anything particular we wish to say at the beginning of this session by way of an opening statement. As you say, we have provided the Committee with some preliminary reactions and comments on the Report by Mr Likierman and Mr Vass and I think probably the best way forward is for us to answer any questions the Committee might like to put to us.

2. Mr Scholar, have you any points you would wish to make?

(Mr Scholar) Not at this stage, thank you, no.

Mr Freeman

3. Gentlemen, good afternoon: perhaps I can give you a gentle canter round the course with four questions that do not cover the central issues on the timing of the Public Expenditure White Paper. My first question concerns the autumn statement and as you know, Likierman and Vass recommend that it should be expanded to cover three years and in your note to the Committee you say that the Treasury is examining the implications of this recommendation. Perhaps you could just expand on that statement?

(Mr Scholar) As you will probably recall, when the Treasury replied to an earlier report of your predecessor committee, we said that we would expect the autumn statement to be concerned at least

with the first year of the three year expenditure cycle, <sup>S</sup> so the recommendation in the Likierman Report is not an entirely new recommendation in this regard. I think that the main point which I would like to put to the Committee is a practical one and that is that Ministers <sup>take decisions</sup> ~~consider~~ in the Public Expenditure Survey <sup>on</sup> ~~the~~ three forward years, as the Committee knows, ~~and they take decisions on the three forward years of the survey.~~ ; in this year's survey, that is the years 1985-86 and 1987-88, <sup>and</sup> ~~one~~ can see the reasons that the Likierman Report has for suggesting that it is desirable to publish those decisions just as soon as or just as soon as one can after they have been taken. I would not want the suggestion to be put to the Committee that the Government considers these three expenditure years in a sequential way, but there is obviously a good deal more time pressure and urgency about the Government's consideration of the first year, as the estimates are drawing near, and the year itself is coming upon us, <sup>L</sup> but ~~looking~~ back over past years, one can certainly see it has sometimes been the case that the first year has been decided before all the other years have been decided, and that there have been occasions on which the whole thing has been decided apart from one or two loose ends, <sup>in</sup> ~~at~~ the third year or the second year, and I think our view is that it would be a pity to defer the publication of the autumn statement and a pity to defer publication of the first year figures just because the complete story was not yet to tell. So it is that kind of practical consideration which we have in mind at the moment in making this somewhat guarded response to the Likierman proposal.

4. Do I understand that you are saying that the key problem is one of timing and not of principle?

(Mr Scholar) That is right.

5. I am sure we will return ———

(Mr Scholar) There is no point of principle here.

6. ——— to this subject in greater detail when we consider the autumn statement, which is coming very shortly. Could I move to my second question, which is on page 6 of the Likierman document, which is recommendation 4, which is that a planning document covering more than 5 years should be prepared at least once per administration. This is a reference clearly to the green paper which looked 10 years ahead and I would be grateful if you could indicate what the practical problems would be in preparing a fresh green paper, updated, covering a period up to 10 years, and doing that on a rolling programme each year. What are the practical problems of doing that in terms of time and staff and co-ordinating all the other departments?

(Mr Scholar) I think that I should say at the start that the Government has not made up its mind about when or if it will produce a successor to the <sup>G</sup> <sup>P</sup> <sup>it</sup> ~~green~~ paper which ~~is~~ published on Budget Day this year. <sup>B</sup> ~~but~~ on the narrow question you have put to me about the practicalities of it, I see no overriding <sup>practical</sup> difficulty about producing a successor to that green paper. <sup>But,</sup> ~~As~~ you yourself have indicated, production of such a document does involve considerable amounts of work, a considerable amount of staff effort, both within the Treasury and more widely in Whitehall, and I think it is for consideration how often one should revise a piece of work which is designedly not set too much in the "here and ~~there~~" but looks forward in a longer time frame. I suppose that if a number of events have taken place which one might say had invalidated the main <sup>now</sup> ~~base~~s of the green paper, then there would be a case for revising it, but I think it would be very expensive, perhaps disproportionately expensive in time and effort within the Government, to do so at all frequently.

7. And there are no present plans to repeat the exercise?

(Mr Scholar) No.

8. So it is a function of Parliamentary pressure upon the Government to repeat the exercise?

(Mr Scholar) Well, shall I say that the question about whether the exercise should be repeated is one that is open. I did not want to give the impression that it has been decided that there will not be another one unless there is a good deal of demand for one.

9. But there is no present intention?

(Mr Scholar) Not at the present.

10. Can I ask you thirdly about the supplementary estimates: I think with a notable exception, the Department of Defence, which does publish in I think a very readable form commentary about the defence estimates, could you tell the Committee to the best of your knowledge if there are any (perhaps in other Government departments) discussions going on between the Treasury and other departments to produce a similar document covering the supply estimate of that particular department in a form that will be not only understandable to Parliament, but perhaps of interest to the general public and the media?

(Mr Scholar) Well, I think there are already a number of documents which meet that description. The Scottish Office produced, after discussion with their own Select Committee, a commentary on their chapter in the Public Expenditure White Paper, and I believe that it is drawn somewhat more widely than that. The Department of Transport as well produced such a commentary, and I think that these documents have been found to be useful by the departmental Select Committees concerned and I think we in the Treasury would welcome the production of other similar documents for other departments.

11. For example?

(Mr Scholar) Well, right across the board. I would not like

to single out any particular department.

12. Could you give some examples? You have mentioned the Scottish Office, but could you mention some departments clearly not producing these documents?

(Mr Scholar) The Department of the Environment, for example, does not as far as I am aware produce such a document, but it did this year produce a departmental report which it published separately and which has won a certain amount of praise outside.

(Mr Battishill) I might perhaps just mention two other departments that have ~~not~~ produced departmental reports, although they are not spending departments in the normally accepted sense: the Inland Revenue and Customs and Excise. They, for as long as I can remember, have produced quite detailed annual reports of their stewardship of the taxes.

13. And which other departments, apart from Environment, are not producing the kind of reports that Defence and the Scottish Office are?

(Mr Scholar) I think there is a pretty long list!  
If I could just go ——

14. Trade and Industry, for example?

(Mr Scholar) Yes.

15. Is there a document there that you would have any praise for?

(Mr Scholar) I do not think there is any document one could say was comparable with the Scottish Office and Transport documents I have referred to.

16. There is a great deal of scope amongst departments to pull their socks up and publish in a form that will be not only read, but understood, is that what you are saying?

(Mr Scholar) ~~is~~. I would like to qualify that and say that we now produce a very lengthy Public Expenditure White Paper part two of which runs into 100 pages or more, and we are trying in that White Paper to set out departments' spending plans, and their strategy, in a way which makes sense of the figures, and can be read <sup>across</sup> ~~forward~~, obviously, to departments' estimates as well.

17. My final questions concern capital expenditure, and you will note on page 8 of the Likiernan document in the top paragraph the Report says "There has also been recent controversy over the presentation of information on capital expenditure, and the extent to which longer term trends are analysed." Specifically as regards capital expenditure the Committee has taken evidence on this point before, but can I repeat the question: although public accounts are presented essentially on a cash basis, what research and discussion is going on? What thinking is going on in the Treasury in terms of a re-presentation, a re-classification in addition to the cash accounts on accruals and separation of revenue based on accruals and capital expenditure in a more thorough going fashion than I think took place in the Public Expenditure White Paper Vols. I and II last year?

(Mr Scholar) We made quite a change to the way in which capital expenditure is presented in the last White Paper, as you are aware, in that we tried to draw together an account of the demands which the Government makes on the capital goods industries, believing as we did that the crude analysis of capital within the planning total very gravely understated that quantum. I have to say, and I have to repeat what I think I said to you in a question earlier this year, that there is no research on <sup>the</sup> ~~these~~ lines <sup>you mentioned</sup> going on in the Treasury at the moment. I have not really anything to add to that.

18. Will the Treasury remit to Mr Wilson, the Government Chief Accountancy Adviser based in the Treasury, this question of capital and revenue accrual accounting?

(Mr Scholar) I am sure that Mr Wilson, as he looks at the basis on which the present accounting system rests, will have that kind of consideration in his mind. Obviously I cannot say what conclusions he is likely to come to.

Mr Freeman: I am sure we will come back to that, thank you.

Mr Wainwright

19. My questions are concerned not with the information that will be available to Parliament and the public, but putting that on one side for the purposes of my questions, the information sought and actually obtained in acceptable form by the Treasury for its own internal purpose and for the Chancellor to report to Cabinet on departmental requests and so on. Are you satisfied with the information, especially the comparative performance indicators, which you get from all departments for your own internal use?

(Mr Scholar) No, we are not satisfied with them, Mr Wainwright. We have been trying for many years to improve the output information and the performance indicator information in the White Papers. If you look over a series of White Papers and look to what we were producing some years ago, you will see a marked change in the quality of information that is now in the White Paper. I believe there has been a very great improvement over that time. Year by year the improvements are not quite so striking, although I do believe that our White Paper this year did mark a quite considerable improvement upon its predecessor. I am bound to say, however, that we are not satisfied with the information we have and are <sup>actively</sup> looking for ways of improving it, ~~(and are actively looking for ways of improving it).~~

20. Does the Treasury's reaction to information (especially to the lack of it) mean that a Department which provides very little information customarily, and therefore glosses over any performance failures it may have had, is more likely to get an easy passage with the Treasury than a Department which "comes clean" with a great wealth of performance information - the good and the bad alike - when it is arguing its case with your Department?

(Mr Scholar) I would think that a Department which produces no information of this kind puts itself at a disadvantage in relation to the Treasury, since when the Treasury is trying to evaluate the respective merits of bids from different Departments clearly one looks to see what the money is designed to achieve, what evidence there is that it has achieved it in the past and so on.

21. I am not speaking now, of course, of statutory sanctions, but what sanctions are there in the daily exchange, especially when public expenditure proposals are coming up for final Cabinet sanction? What pressure can, and does, the Treasury exert to get the utmost performance and relevant, up-to-date performance indicators out of each Department?

(Mr Scholar) The Treasury can certainly note (as I have just suggested), in the whole public expenditure survey process, that a Department has put forward a poor case for its additional bid, or it has put forward a good case for its additional bid. This kind of consideration is very germane <sup>in the Survey.</sup> ~~to~~ <sub>L</sub> ~~that~~. Less pressingly, when we produce the Public Expenditure White Paper every year we do try to ensure that the performance of all Departments measures up to that of the best in earlier White Papers. So we do press them very hard to improve the quality of their input to Part II of the White Paper.

22. Do I deduce correctly, from your reply, that the only sanction is that if the information is sparse, or sporadic, or random, then the Treasury's verdict on their submissions will be lower accordingly? Is that the only form of pressure that you really can exert on individual Departments?

(Mr Scholar) That is a form of pressure. There are other lesser forms of pressure. We can suggest to them (as we do) possible performance indicators or output measures. We put those to them and ask them whether they think those are sensible measures. If you like, we are in some cases doing some of the development work for them. I would not want to suggest, however, that there is not a good deal of work going on in Departments to

try themselves to improve the quality of the information that they provide.

23. Could it be that the superior information which you have referred to just now in answer to Mr Freeman, from the Inland Revenue and the Customs and Excise, derives from the fact that they are under the Treasury's direct control, and that therefore you have superior powers of getting information out of them, compared with other separate Departments of State?

(Mr Scholar) I think it comes more from the fact that some Departments have an easier <sup>row</sup> ~~road~~ <sup>here</sup> to ~~here~~ <sup>and</sup> than others; some are perhaps better at this than others. On the first point, it is just much harder to produce satisfactory output information on defence than it is in the transport area. I believe that to be the case. Certainly we have had much more success in the transport area than in the defence area.

24. In the information which any of the Departments furnish to you, whether or not it is eventually made available to Parliament, do any of them have comparative performance indicators vis-a-vis adjacent member countries of the EEC?

(Mr Scholar) That is valuable information, and we look for that too. I should say, I take it that by "comparative performance indicator" you are referring to <sup>for example,</sup> ~~the kind of unit cost?~~ <sup>information</sup>

25. Yes.

(Mr Scholar) Then the answer is yes.

26. Do you receive some figures from some Departments, which actually include comparisons with adjacent - that is to say, Northern European - members of the Community?

(Mr Scholar) I have seen international comparative

unit cost material of that kind, yes; it is produced by Departments.

27. Do you welcome that?

(Mr Scholar) Very much so.

28. Do you think there is room for an extension of that particular form of comparison, I repeat, not international in the sense of worldwide, but with adjacent countries?

(Mr Scholar) Yes. There are limitations. As countries have differing governmental and institutional structures, ~~they~~<sup>it</sup> can ~~make~~<sup>be</sup> it rather difficult to compare some of these numbers without a great many caveats. But in principle, we are interested in that kind of material.

29. Have you any evidence that these other member countries have systems of performance indication and unit cost ascertainment which enable such figures to be at least available in their raw form?

(Mr Scholar) I am not aware of other countries who are performing this trick much better than we are, but we are always keen to learn from the experience of other countries.

Chairman

30. Has the financial management initiative made much difference to the points that Mr Wainwright has been discussing?

(Mr Scholar) I think that it is doing so. It is a very important part of the financial management initiative that managers should know what it is that they are meant to be achieving, and that they should be able to measure that and to measure its costs. So I would certainly expect, as the FMI gathers pace, to see further improvement.

31. When would you expect that to be apparent?

(Mr Scholar) I think it is happening now. This year's White Paper, as I said before, is a marked improvement on its predecessor. I do not think that that is an accident.

Mr Mitchell

32. The Likieman/Vass paper stresses the need for adequate information and also has in it a recommendation about the quantity of goods and services that have been purchased. You do not comment on that in your preliminary comments, so what is the Treasury's thinking on that suggestion?

(Mr Scholar) We do produce a good deal of cost-terms information about public expenditure programmes. The Likieman Report speaks often of volume, occasionally of cost. I was not clear that it intended to make a sharp distinction between the two. As you will know, in the Public Expenditure White Paper we have a table in Part I - Table 1.14 - which produces cost-terms figures for each programme over the survey period.

33. Can I leave the cost/volume point? What about the recommendation on the quantity of goods and services purchased, just the quantity?

(Mr Scholar) I think that we already are providing that information via Table 1.14 of the White Paper and, indeed, in the estimates themselves. The sub-head narrative in the estimates themselves does contain a great deal of information about <sup>that</sup> ~~them~~.

34. So you think that what they want is satisfied already?

(Mr Scholar) I am not sure. I mean, I am not sure whether they are <sup>seeking more</sup> content ~~with the~~ cost-terms information ~~we want~~,

or whether they <sup>would</sup> prefer a ~~much~~ more volume-terms information which would take account of the relative price effect. It may be that the latter is what they would like to see.

Chairman: We may know by the end of the afternoon!

Mr Mitchell

35. What about the recommendation on clearer and more consistent treatment of the geographical coverage of expenditure within the UK?

(Mr Scholar) I think they have put their finger on a good point here. Since we moved over to showing the Scottish and the Welsh programmes separately (in 1980/81 or thereabouts, I believe), the existing programme classification of the White Paper has become a bit of a hybrid. Therefore, I think that it does make it rather difficult for the public and also for those of us who work with these documents in Whitehall to spot immediately when a programme is being shown in England terms, England and Wales terms, or on a GB or a UK basis. As we have said in our note, we are thinking about how to remedy this, and we are considering the possibility of moving over to the kind of departmental basis of ~~describing~~ <sup>displaying</sup> expenditure, which one finds in the Autumn Statement, and supplementing that with the detailed functional analysis, so that the Public Expenditure White Paper would not have any less information than it has at the moment, but the main burden of the presentation would be in departmental terms, following the way in which the expenditure is controlled.

36. Could you do the country by regions in that kind of breakdown?

(Mr Scholar) Yes, the functional analysis could,

certainly, and I think that it does have a regional breakdown or it has a country breakdown anyway, Scotland, <sup>England,</sup> ~~and~~ Wales, and Northern Ireland.

37. The Treasury seem, in the preliminary comments, to be cool about these ideas for a users' guide and for wider readership and wider marketing. Can I just say that documents continue to be aimed primarily at their specific users. Surely it is a good idea that there should be documentation provided that the average Joe Soap can understand, as well as the documents aimed at specific audiences and specific users?

(Mr Scholar) Yes. Are you thinking primarily of the Public Expenditure White Paper or of the Budget? I think that different answers apply.

38. It could be any form, but some breakdown, say, of government finances, some kind of budgeted brief, as specified in the recommendations. I was in Sweden a month ago. I did not understand the Swedish comments, but they gave us a marvellous document which was the Swedish Budget in English, which actually told me not only about the Budget but about the whole state of the economy, how it was running and what the Budget was going to do for it. We do not have a similar document that the average layman can inform himself on in this country. Would not it be a good idea to have it?

(Mr Battishill) The Likieman Report referred also, of course, to the US Budget in brief. We had a look at that, to see if that had any useful messages for us. I am bound to say that when I looked at it I thought it was a bit of a misnomer, because it runs to some ninety very closely-typed pages and a number of charts and tables. Frankly, I did not find reading

that altogether easier than reading our own Financial Statement and Budget Report which builds up in a systematic way, taking the reader through the Budget scene, the Medium Term Financial Strategy and so forth, to <sup>public sector transactions at</sup> the end. Indeed, it seemed to me that in places the US Budget in brief was a little bit thin and not perhaps as helpful to the reader as some parts of our own Budget documents. As to whether or not one should produce, as it were, a special document on Budget Day (which I think perhaps is what may lie behind your question and is certainly what I understand lies behind the Likierman proposal), again one can take a number of views about Budget documentation, but I think it is true that in this country we do produce an immense amount of information on Budget Day, certainly not all of it designed for the specialist reader, some of it designed also to reach the average reader, the man who reads the newspapers the next day.

In fact, I was struck, in looking at the Budget documentation this year, at the amount of material which we produced, for example something over forty press notices were produced on Budget Day alongside the standard Budget documentation, much of which, of course, is taken up by the press and reproduced in great detail the next day ~~according to~~ <sup>for</sup> their different readerships, and I would be surprised myself if the great bulk of the population did not have, within a day or two of the Chancellor opening his Budget Statement, a pretty clear and detailed understanding of those parts of the Budget scene which they are interested in. That is a different way of doing it. One could, as you say, contemplate producing extra documents but I think it is mistaken to believe that the average man <sup>in</sup> ~~of~~ the street does not, through our present system, get a pretty clear and concise account.

39. Is there not a kind of different level of approach? You have the detailed documents, the White Paper on public expenditure which does give a detailed account, you have the budget speech and projection and razzmatazz which is about as useful for understanding the economy as prayers in the Church of England for understanding the finances of the Church of England and you have the analyses in the newspapers. What I was urging was a pop budget which would give the average layman a pop breakdown of where the money is coming from and going to.

(Mr Battishill) It would be possible to produce such a document of course, other countries do similar exercises, as I say. If one looks, for example, at the United States' publications I, myself, do not find it any more

straight forward and capable of understanding by the non specialist than our own financial statement and budget. <sup>agent</sup>

40. What is the problem, the difficulties in specifying it any further or — ?

(Mr Battishill) The problem I think is finding the most effective way of conveying to the man in the street the information <sup>he</sup> ~~they~~ wants. What I was suggesting <sup>a moment ago</sup> ~~could go~~ is that by using a multiple effect on Budget Day including the fact the Chancellor's Budget statement is broadcast and listened to by a large listening audience, ~~the fact the media produce~~ <sup>extensive</sup> a television coverage in the afternoon of ~~considerable extent~~, those kinds of presentations combined with a large number of press notices dealing both with complex matters and some quite simple matters enable the press the next day to provide ~~a~~ extensive coverage in simple terms, <sup>I</sup> and ~~in~~ that way the ordinary man in the street appreciates the Budget very very clearly indeed.

41. Can I move on: you mentioned in answer to Roger Freeman on this three year expenditure profile, extending the Autumn Statement to cover three years that this would delay or could delay —

(Mr Scholar) Could delay.

42. Could delay the whole Autumn Statement, would it necessarily do that? Surely the expenditure decisions of Star Chamber and all that - I read the newspapers too - the expenditure decisions have all been taken by the time the Autumn Statement is published?

(Mr Scholar) All I can say, looking back over the past years, there have often been items of programmes not

being finally decided by a certain date, <sup>u</sup> usually they are in the last or penultimate year of the survey, so one is not yet really in a position to go forward and say: "Here are three years' totals and one can demonstrate how they are made up"; yet by that time one can do so about year one.

43. Is that because you have sought a long publication timetable? How long does it take physically to publish it?

(Mr Scholar) I am not referring to technical or publication difficulties, I am referring to lags in <sup>the</sup> decision making process.

44. How long does it take to publish it? What is your time limit for changes?

(Mr Scholar) In recent years it has taken around a week or up to a week from the date of the last decisions.

45. On a point raised earlier about volume: we have been on this a lot in the past, are departments generally happy with cash planning and the consistent refusal we have had to deal with volume terms or do they feel they are getting adequate funding if there is faster inflation than expected?

(Mr Scholar) I think departments rarely feel they get adequate funding.

46. They are particularly squeezed in those circumstances?

(Mr Scholar) I would say the cash planning system has bedded down remarkably smoothly since it was introduced a few years ago. Of course it <sup>was</sup> ~~has been~~ introduced in a time when inflation has been falling and falling rather more rapidly than expected. That you may say ~~is a good day, that~~ has been a good circumstance in which to introduce cash planning. I

think departments are generally well content with these procedures.

47. Why cannot we have papers which make a more serious attempt to translate cash figures into volume terms so we have some more consistent measuring guide?

(Mr Scholar) On volume terms, that is an attempt to indicate the <sup>quantity</sup> ~~quality~~ of goods and services purchased by the department or by the programme which we feel is very misleading; because in our view volume information as such, as distinct from cost information, is neither an indicator of the input to the programme which is cash nor of the output of the programme which is some measure of output on the lines we were discussing earlier. So, while we are quite content to give cost terms information, which is to take general inflation out of the figures, we are unhappy about taking account of the relative price effect and <sup>showing</sup> ~~to show~~ figures <sup>deflated</sup> ~~deflating~~ for the particular areas of economy with which each <sup>programme</sup> ~~area~~ is concerned. <sup>important</sup>

48. Surely it is <sup>important</sup> for us in our terms to measure continuity and important for people outside, supplying goods and services to Government, to know what is happening in volume terms?

(Mr Scholar) In our view, <sup>volume terms information</sup> ~~it~~ does not provide a satisfactory measure of continuity <sup>or quantity</sup> ~~of~~ quality of goods provided. The way to do that is through proper development of output measurement and not through this spurious volume terms information.

Mr Fisher

49. Can I return to Mr Mitchell's previous point about

presentation of Government expenditure reports and their use by the readership for which they are not intended and particularly to Sections 3 and 4 of the Likierman Vass Report and your own comments in the Treasury comments on paragraphs 9 and 10. Would you agree with me: one of the most interesting parts of the Likierman Vass material is the market research they have done on readership and the comments that people who are using these reports make of them?

(Mr Scholar) I think it was very interesting that part of the report, yes.

50. May I ask what similar market research the Treasury has done on the use and presentation of these documents?

(Mr Scholar) I am not aware of any.

51. In the absence of any other evidence you accept the criticisms and remarks in the research evidence that Likierman Vass produced?

(Mr Scholar) No, I do not accept all the criticisms that are there.

52. Does the Treasury intend to do its own research into the use and readership of these documents?

(Mr Scholar) I accept some of the points made. I think one of the interesting points brought out was the numbers of readers of the different documents. I think that was of interest to lots of us in the Treasury.

53. Can I refer you to paragraph 9 of the points? I am sure Mr Likierman and Mr Vass would be delighted you welcomed the constructive nature of their proposals but then you go on to totally ignore all the proposals they make

and you seem to imply in your next sentence that you agreed with them on the constructive nature and surely they agree with you that the new and clearer style introduced by the Autumn Statement to other statements fits the bill? Do you really think that does address itself to the proposals they make, in particular Section 3 of their Report?

(Mr Scholar) I think our general response to their Report has been <sup>that</sup> we welcome it very much because we are interested, as they are, in improving the quality of the information the Government produce. I think where we differ from them a bit is <sup>that</sup> we think we have been improving <sup>these</sup> documents, <sup>that</sup> and there has been quite a steady improvement in them over a number of years; and <sup>that</sup> we think <sup>the Likierman report</sup> they rather understates the extent to which we have already improved <sup>these documents</sup> them.

54. You are of the opinion that the Autumn Statement is an improvement on former models but that is as far as it is necessary to go to combat the fairly forceful criticisms Likierman Vass have?

(Mr Battishill) I wonder if there is some misunderstanding of what we were intending to say, Mr Chairman? We certainly mentioned in paragraph 9 the new and clearer style introduced by the Autumn Statement, <sup>T</sup> the reason we mentioned that is that Mr Vass and Mr Likierman have themselves picked out the Autumn <sup>S</sup> statement as being the one which has been well received. What is different about that document from previous documents <sup>is that</sup> ~~was~~ it was introduced in a different style, different typeface, single column format as opposed to double column format, larger

size, ~~larger typeface~~, somewhat more clearly presented tables and charts. I think it is <sup>not</sup> ~~rather~~ an unreasonable deduction <sup>that</sup> ~~if this is a~~ document <sup>is</sup> ~~well~~ received, it may well be because of those stylistic changes which have been made. ~~We were going on to say this is~~ <sup>T</sup> the development of <sup>our</sup> ~~a~~ new house style ~~which~~ has been extended to some of the other documents, *for example the* financial statement and budget report and it is our intention to apply that house style more widely to those documents to which it seems appropriate.

55. When addressing yourself in the note to these problems you do not appear to spend a lot of time countering or responding to the Likieman Vass criticisms which are very specific on the incoherent bases which are often used. Mr Mitchell has already referred to geographical bases, it is sometimes UK, sometimes Great Britain and sometimes England, Wales, also the narrative and the lack of graphics and the high cost not necessarily by the Autumn Statement but a lot of these documents, all of which are specific criticisms in Likieman Vass and all of which appear to be barriers to comprehension and use and a wider readership. How would you respond to those criticisms?

(Mr Battishill) If I could take up the graphics point to begin with, I think the Public Expenditure White Paper Part 1, which is now introduced in two colour forms with much clearer presentation of tables, is one response. The Financial Statement and Budget Report, as I said, following the style of the Autumn Statement has, by fairly common consent, improved presentation of charts and tables. One

particular point in the Likioman Vass Report, certainly one  
made by others, is <sup>that</sup> tabular presentation is made very much  
easier for the readership if one introduces systematic rounding  
rather than <sup>numbers to</sup> numbering ~~one~~ or two decimal places; certainly in the  
documents I have been describing, <sup>we</sup> ~~We~~ are making a conscious  
attempt to round the figures where that can be done accurately  
in order to simplify presentation.

So I think my response to your question would be <sup>that</sup> the reason we have not, as it were, spent a lot of time in our paper <sup>of</sup> the Likierman Report on this particular aspect is that we share the same objectives as Mr Likierman and Mr Vass. We shall read carefully what they have had to say, along with what other people have to say, <sup>on</sup> ~~in~~ these documents. Whilst one cannot engage in an overnight transformation of <sup>the</sup> documents we hope to go on continuing to improve them in the way we have started.

(Mr Scholar) There is a conflict ~~of time~~ between the different objectives ~~one might have about~~ <sup>of</sup> these documents and I am not sure how well that is brought out in the Likierman Report. These documents are not simply documents to tell the world what the government's expenditure plans or taxation plans are, they are not designedly popular documents, they are functional, control documents which are designed for those who are exercising that control in departments, in the Treasury, in Parliament and so on. On the rounding point, for example, although it would make the documents much easier to read and clearer and so on to round to the nearest point <sup>1</sup> ~~2~~ of a billion, or million, or whatever, it is necessary from the point of view of control often to show the figures <sup>in full</sup> ~~fully out~~ as we have <sup>them</sup> ~~in~~ the <sup>E</sup> estimates and so on.

56. I would agree you have a very good point and Likierman and Vass recognise in their report that there is a dual function of control and communication, and they specify three very distinct, sometimes overlapping, areas of readership - the expert, the specialist and the general reader. Given that they do all have a very genuine and urgent requirement for the same material, is there not a case then for the Treasury to produce, on behalf of the government, the Public Expenditure White Paper, for instance, in various different forms to reflect the needs of those different readers?

(Mr Scholar) I think there is a very good case for us to think hard about the target <sup>audience each</sup> for the document, who it is that the document is aimed at, and I think we should ponder on that very carefully.

57. Would you consider a plural response to that, so the idea of only one document trying to reconcile the different needs of the expert, specialist and the general public, may not be the best response?

(Mr Scholar) We are naturally concerned about the idea of proliferating the number of documents we produce, and we have a natural inclination not to do that. It may be that one has to <sup>try to</sup> square a circle here.

58. I have one question on the last point, about the general public and the idea in the Likierman Vass Report on a users' guide: rather curiously to my mind in your paragraph 10 you do not dismiss this but you say someone, possibly Parliament, should produce such a guide. Would that not be a slight abrogation of the Treasury's own response? It would be thoroughly wrong for Parliament to have to interpret the Treasury's own documents, would it not?

(Mr Scholar) Our position is that we already produce a users' guide; we produce Part V of the White Paper <sup>which</sup> ~~and it~~ takes <sup>the reader</sup> you right through our documents, all the terms that are used in them and so forth. The Chief Secretary's Memorandum <sup>too,</sup> has a lengthy account of supply procedure and ~~all~~ the <sup>£</sup> estimates. The information is all there; whether it should be brought together in a simple and <sup>more</sup> accessible document for wide distribution is another question, and we have not made our minds up about whether we should go in that direction.

59. I would suggest to you that the response of the Treasury, saying it is in there anyway if the public can go and find it, is really not adequate or a serious response to the very just, to my mind, criticisms that Likierman and Vass make. You have referred to the Chief Secretary's Memorandum, Likierman and Vass made some particular point that few MPs knew of its existence, let alone the man in the street, and if you went up to anyone and asked if they were very much enlightened by the Chief Secretary's Memorandum last year no one would know what you were talking about. Would you not agree that is not a serious approach to the way you get your ideas to the general public?

(Mr Scholar) I would agree <sup>that the Chief Secretary's Memorandum</sup> ~~it~~ is a document which is not widely read, but I believe it to be a very good document in its present form.

60. I am sure it is but we are talking about whether there is a need for a general guide to the general public. Your other response was that Parliament could produce its own and in response to Mr Mitchell or Mr Wainwright you said there were 40 press releases issued on Budget Day and this did provide a lot of material to the press to make their own interpretation to the public and that this was a sufficient way of satisfying your response to the public. Apart from the fact that press notices are almost entirely concerned with the arithmetic, which is not to my mind sadly a matter for the Likierman Vass Report, they do not address the problem of the Public Expenditure White Paper, so how do you get across to the public, who have a right to know, what exactly the government is spending their taxes and money on?

(Mr Scholar) In response there I would say the production of a document on a wide scale, which I think is the kind of thing

you have in mind, would be a very expensive operation, and that does raise a whole series of issues. It would be, I think, not an entirely novel step for the government to produce such a document, in the past governments have produced things of that kind, but it would require careful consideration.

61. Would I be unjust in thinking, from what you have said and from your note, that whereas the Treasury is not unsympathetic and not uninterested in the problems that Likierman Vass present, the Treasury does not, on nature consideration, feel it really needs to do a great deal more than possibly achieve the same high standards as the autumn statement and the budget statement? What are you going to do?

(Mr Scholar) I think that would be too complacent a response. We reckon to improve these documents. We were very interested <sup>for example,</sup> to see the detailed suggestions made in the Likierman Report, in the appendices to the report, about how tables of figures are best presented. I think there are always any number of views about how one could best produce information, and there are some very interesting suggestions there which we want to follow up.

(Mr Battishill) Perhaps our diffidence <sup>towards</sup> suggestions that the Treasury might produce this users' guide was influenced by the Likierman Vass Report itself, which I think probably quite fairly argued such a document could not be entirely in the hands of those whose task it is to assemble the figures, because, as they said, they may not always appreciate the users' needs. Likierman Vass suggested that perhaps the House of Commons Library, or a commercial organisation, might be in a better position to appreciate the needs of the user rather than those who produce the document in the first place. There is something in that argument, I think.

Chairman

62. As someone who used to be deeply involved in the Budget, we used to think one understood it much better after the broadcasts which followed it! We shall look forward to a vast increase in the House of Commons' funds to enable us to carry out these functions. Can I pick up three points arising from the past discussion. I think we are all agreed the press notices issued on Budget Day for the revenue proposals are extremely good, and they are covered in the serious press and the individual people who are affected by them get the actual press notice and that is very helpful, but there is nothing of that kind on the expenditure side; we do not issue press notices saying the road programme is going to double next year, or whatever it may be.

(Mr Scholar) The Treasury, on the whole, does not but the departments do, and on the day when the autumn statement is published it is quite customary for there to be a rash of departmental press notices in which departments explain the effect of these decisions on their programmes and on their own clients and <sup>customers</sup> ~~clients~~.

63. But they are not issued in a bundle in the same way as the others are. Perhaps you might consider that point?

(Mr Battishill) Of course you are right in saying that the bulk are about detailed tax matters but they are not exclusively about <sup>those</sup> ~~this~~. This year there were press notices issued by the Bank of England on monetary matters, <sup>and</sup> ~~quite useful press notices~~ issued by the Department for National Savings on National Savings matters; so they are not exclusively <sup>about</sup> ~~tax~~ matters.

64. I wondered whether there was not a case for doing it once or twice a year, either in the autumn statement or the Budget paper? I think we are all agreed the presentation of the autumn statement is

significantly better than some of the other documents, but we did however point out, when commenting on it last year, that whatever the presentation might have been like the actual figures were out of date because they were based on eight month old assumptions and the only new information in the autumn statement was some recognition in advance of the Public Expenditure White Paper. While we hope the presentation will improve we hope the figures will improve inasmuch as they will be up-dated. You will recall there was some degree of controversy on this point. We hope this recommendation has not gone unnoticed.

(Mr Battishill) There was indeed, Mr Chairman. You have fairly recorded the position of the Committee and I think I ought fairly to record the position of the government, which was that they did not believe that the material in the autumn statement was out of date insofar as the economic forecast was concerned, and <sup>I</sup> <sup>it is</sup> ~~In fact~~ a current economic forecast ~~is~~ based on up to date information.

65. Perhaps you might return to the point about whether there has been exchange rate changes since the last Budget at a later stage. On page 9 there is a table as to the actual print run and it would appear that something like 2,700 copies of the supply estimates are printed, of which it is said that only 200 go to the public, including libraries, as far as the defence supply estimates are concerned. Are all the other copies actually floating around Whitehall? Leaving Parliament on one side, it looks as though 2,500 copies of the defence supply estimates are floating around Whitehall; that does seem a rather large number.

(Mr Scholar) I cannot answer that question. I assume they are.

66. They are all in the Ministry of Defence? Perhaps there are some in the Treasury?

(Mr Scholar) Some in the PSA.

67. They are costing £103.40 a time. Perhaps the Treasury might like to look where they actually go?

(Mr Scholar) Could we do that?

68. Yes, please. Another more fundamental point, you will recall the Procedure Committee Report is referred to in the Likiernan Report and we did make the same specific suggestion, that the long term expenditure projects going over a number of years should be separately identified, and we set out in that report of the Select Committee on Procedure Finance three specific suggestions: one, they should be identified, two, that the House should agree a definition which would be appropriate for them, and, three, that there should be a degree of control by the House if they did not feel that the objectives for these proposals had been met. Likiernan Vass have referred to that and you yourselves have commented on what you called the longer term dimension and you hope that arrangements will be made to select and manage projects more efficiently and effectively. You are saying you are going to improve the relative information in the supply estimates. Can you tell us what progress has actually been made on that, because the Procedure Committee, whose recommendations did not get the kind of response we are now getting when the matter was debated on the floor of the House, did make specific suggestions as to how this might be done.

(Mr Scholar) We have made considerable changes to the estimates, to take account of the interest which the Procedure Finance Committee expressed in this matter. In the time up until

1981-82, as you will know, estimates had attached to them, wherever appropriate, ~~working~~ service tables which gave details of large capital projects. We have, I think, greatly improved these tables so that they now give a consistent and comprehensive range of information for Parliament. The ~~working~~ <sup>service now</sup> tables ~~show the estimated~~ date of ~~start~~ <sup>start</sup> and completion of the projects concerned, the original estimate of the cost; ~~the cost; the cost~~ to date; the cost this year and the cost in future <sup>year</sup>, all on a comparable price basis. We hope this will assist Parliament in identifying these projects in which it was showing particular interest.

69. Is there not a case for agreeing on what the definitions should be and what the special procedures should be?

(Mr Scholar) ~~There are set out in the estimates indications~~  
<sup>used is set out</sup>  
of what ~~the definition is in the case of~~ each vote, and as you will be aware, the definition does vary from vote to vote for reasons which I think were mentioned in evidence to the Select Committee on Finance Procedure.

70. We have not actually agreed the definitions?

(Mr Scholar) They have not been agreed, no.

71. Is there not a case for doing so?

(Mr Scholar) I am sure we would be very glad to discuss with the Committee what should be the appropriate size of project.

72. You know, I do not think it is a matter to go into in depth now, but if we do that, we can actually agree on procedure as well - mainly that they shall not go forward if the Select Committee has not allowed them to go forward. Of course, essentially, perhaps one ought to spell it out - what we are concerned with here are projects which in the first year show a very small sum in the estimates but may then involve vast increases in expenditure in later years, of which Concorde has always been an example - indeed, the classic case. We really must get a grip on this and I welcome a change of attitude, but if we are going to do this we need to get the definitions right, and the control mechanisms by the House right.

(Mr Scholar) On that latter point, I think I should say that as you will be aware from the Financial Secretary's speech in the debate last December, the Government did not accept that part of the Select Committee's recommendation that control should be vested in Select Committees in that way over these long term projects.

73. But we already have control through the new estimates procedure. If they do not go along with it then the alternative is simply to break them down. *the House does*

(Mr Scholar) In that sense ~~they do~~ have control.

74. I mean, the Financial Secretary was in fact putting forward an untenable position because he had already lost that battle in reality if we really wanted to exert control, and that being so, perhaps we ought to agree the definitions and improve the procedure.

(Mr Scholar) I see no difficulty about discussing and aiming to reach agreement on the definitions.

75. Fine. The third and final point I would like to make, if I may, is in relation to the proposals about timing in the Likiarman Report, and it suggests that the Public Expenditure White Paper should in a sense be integrated with the normal Budget statement. Now, of course, there has been much discussion of this in relation to the Armstrong Report, and so on, but nonetheless, it would seem to concertina the procedure in a way which would eliminate one of the main occasions when the House actually has a chance of debating public expenditure. I think also it is true to say that debate has never been very satisfactory, because it takes place just before the Budget. People are thinking about other things. The decisions have already been taken, because the discussions have been going on for some 6 or 7 months before. Could you tell us first of all what your reactions are to Likiarman's proposal on this?

(Mr Scholar) I think our reaction principally is that we believe that it would most help the House if we publish the White Paper as soon as possible after the decisions relating to it have been taken. The Committee in its Report earlier this year urged us to publish the White Paper I think no later than the first week in

February, and we certainly hope to be able to meet that target or better it. There are difficulties as the Committee will recall about the publication of the White Paper on Budget Day if the aim is, as it would naturally be, that the White Paper was fully consistent with any decisions relating to expenditure in the Budget. Those difficulties which were there several years ago are still there. I would summarise by saying that our reaction is that we would prefer to see the White Paper published as soon as possible after decisions are taken in the autumn.

76. Thank you very much. Could I just try an alternative to the Likiernan proposal in conclusion: supposing one went ahead and continued to publish the figures as soon as they were available, and my own feeling is that that must be right. Do you think there would be any case for the debate on the White Paper taking place not just ahead of the Budget but perhaps in June, because that would then give the House an opportunity to look at the public expenditure situation ahead of the next round of Government decisions on the matter, which start, what, a month or a couple of months later?

(Mr Scholar) I can see the merit of the proposal from that point of view. Usually the public expenditure survey is already in action by June, ~~and~~ (it starts in its very early beginnings in April/May, but it is getting into its swing by June) ~~and~~ I can see the merit from that point of view. The disadvantage, as I see it, is that the House would be considering decisions which had been taken months before, ~~so it would be an occasion which~~ <sup>that</sup> I think would detract from the interest in the matter.

77. Although of course it would be able to debate the following year's figures, which also appear in the White Paper?

(Mr Scholar) It would be able to debate those, I suppose, at any point, but I take your point that it would be of particular interest as the new public expenditure survey got under way to hear what the House's views were about expenditure in the immediately following year.

Chairman: Thank you very much. We are most grateful to you both for coming. It has been extremely helpful.

MR ANDREW LIKIERNAN and MR PETER VASS, called in and examined.

Chairman

78. Mr Likiernan and Mr Vass, we are most grateful to you for coming to discuss your Report which we have obviously found of very considerable interest, and indeed clearly the Treasury too; rare indeed is it that a Report receives such rapid reaction from the Treasury, not only rapid, but forthcoming! We wondered first of all whether you would like to make any opening statement?

(Mr Likiernan) Perhaps I can say two things: first of all, I think the House in general and this Committee in particular has over the years expressed very considerable dissatisfaction about the information which it receives to monitor the Government's expenditure plans, and I think, and initially our work confirms this, that there are good grounds for concern about a great deal of what is published, particularly bearing in mind the enormous amount of work that goes into producing these figures. I think our research has shown that the figures are not well understood, and that although progress has been made in recent years the standard of information in this area lags well behind what is available in other parts of the economy; when one considers what is available not only to private sector companies but also in other parts of the public sector, I think there are grounds for believing that Parliament and the public as a whole do not get on the whole information that is easy to understand from and which they can get an easy idea of policy on the figures that are presented to them. I think we believe that it probably is not reasonable to ask Parliament and the public to accept what is currently on offer, and perhaps it is difficult for those who are in constant touch with this information and are used to it to understand just how difficult it is for people who are not used to seeing the

information to understand what is going on. We hope very much I think that the Committee will take the lead which it has shown before in pushing forward progress in this area in terms of providing perhaps much more easily understandable information, not only for Members of the House, but also for the public as a whole.

Mr Fisher

79. Good afternoon. Having spent sometime quoting your research which impressed me in your paper, could you tell us a little bit more about it, because though you quoted, you do not really specify your research base, and could you also say whether your market research in the usership covered the three areas of readership that you, to my mind, have correctly identified?

(Mr Likiernan) Yes, it did, and what we tried to do was take an approach appropriate to each set of readers. As far as Members of Parliament were concerned, we interviewed a large number of Members of Parliament. As far as the specialist users were concerned, we wrote letters to a lot of pressure groups, a lot of people interested in Parliamentary expenditure, for example, and in terms of looking at what was going on in other countries we tried to get across-section of other countries to see whether there was good practice which perhaps we could identify with and which Parliament might perhaps care to see, in case there was anything it could apply to its own dimension, so what we tried to do across the Board was to see where we could try and get the best information available for particular kinds of readers.

80. Is the impression I gathered from reading your Report that really no area of readership was totally satisfied with the broad generality of the Report correct?

(Mr Likiernan) Yes. I think perhaps I should qualify that to

some extent by saying that those very few people who are so conversant with the documents, who know every nook and cranny of them are of course almost by definition not dissatisfied with them. They are in one sense a very powerful group within the economy, because they interpret for the rest of the population what is going on, and it is not unreasonable, as we say, I think, in the last section of the Report, that these people are not very dissatisfied with what is going on. They have spent a great deal of time and effort trying to understand it and they have, if you like, an investment in the current set of documents.

81. Given that your criticism was (and I think it is certainly supported by the Members of this Committee) of the inadequacy or the unsatisfactory nature of this material, how do you set about reconciling the different needs, because you identify the problem but you do not really to my mind fully come to grips with the reconciliation of different needs. Do you for instance have any sympathy for the sort of plural approach that I was canvassing just now?

(Mr Likiernan) Yes, I do. I do not think we felt that there were exclusive user groups who would have to be catered for and each one would have to be catered for only in one particular way. I think in the structure of the Report we show on pages 18 and 19 that experts would be interested in everything that comes out, of course, but on the other hand the general reader needs to be catered for by some documents and specialists by others, but I think the pluralist approach is essential. There are not so many documents that you can have each set of readers addressed by a single document.

82. Even the Treasury seem to recognise the force of the criticisms that you have of the variety of different bases, and the inconsistency

between the statistics. Given that that is fairly apparent when looking through these documents, how do you set about in practical terms harmonising and finding one standard for the various different areas where this is a problem?

(Mr Likiernan) Can I perhaps clarify what you mean? Are you talking about the geographical side?

83. Obviously the problems are different, but the type of difficulty that is presented, both in statistical financial form and also, for instance, in the geographical and regional bases, is the same species of problem requiring different answers, would you agree?

(Mr Likiernan) Well, I think just taking the geographical one if I may, in that area it may be necessary to have some duplication, as we suggest, in the departmental reports for information which is presented on a Scottish or Welsh basis, for example, but which is also made available under the relevant departmental heads so that one way of doing it is not to try and present all information only once, but to present information as is relevant for the set of users, whether it be a Select Committee, or a general public readership which applies to them, and where the particular coverage is relevant to that set of readers.

(Mr Vass) I think that that is a very important point. What we found was that there is a mass of information. As Mr Scholar said, all the information is there if you know where to look for it. One of the important sides of our proposal, in a sense, is to split the problem down into components. Underlying the restructuring proposals there is a hierarchy of documentation. At the top level certainly the Treasury would be responsible for ensuring that the geographical side matched with the departmental side or whatever, and that would come through the special analysis volume in particular. But then, in order to give more information directed at those with particular responsibilities and in particular areas (I am thinking, say, of transport, the Select Committee on Transport or whatever), you go down a level in the hierarchy and prepare a departmental report which in itself should be a coherent expression of that rather more limited field of interest. It is by splitting the problem down that I think you can provide more information but a more coherent entree for those who are interested.

84. When talking about the Budget Statement and the press releases that are associated with it, we strayed, earlier in the afternoon, into talking about the presentation of revenue and taxation. Are you in any way contemplating a similar document on the Government's presentation of its tax base and revenue?

(Mr Likierman) I think we felt that it was particularly important that there should be a single Budget document. This, if you like, is an idea which has got its antecedents in several preceding reports. The Armstrong Report, the Procedure (Finance) Committee Report and so on, addressed this question

of the matching of the two. What was particularly interesting to us, in terms of our researches in other countries, was that we seemed to be alone in seeking to separate expenditure and income to the degree that we do. It was surprising to us that almost no other country we studied found it an issue that there should not be a single Budget document presenting income and expenditure together.

85. Do you not feel that given the enormous complexity of our taxation and benefit system, both the House and the public would be well served by greater information on the various different forms of indirect and direct taxation, on who is paying what and on how the Treasury receives its revenue?

(Mr Likieman) I think that it would be perhaps surprising to people who did not know how the existing system worked, that there was not such a document already there. Most general readers, not knowing about the subject, would assume that there was a single document which had expenditure and income in it. That, I think, would be regarded as a logical way to do things. The present system, although it has grown up over the years for particular reasons, does not present the logical way of presenting the information.

Mr Browne

86. As I understand it, you are saying that there is a lot of information and that it is accurate, but that it is not presented in the correct form that is useful to the public, or, indeed, therefore in the public interest. Could you comment on presentation in terms of graphics, in terms of size of print and so on? In relation to the work that was done by Ralph Nader in

the United States, that caused companies and corporations completely to change the emphasis in their annual reports and their reporting, so that they became much more readable to the public. Ten years down the road, it became a great benefit. The management of the companies that had preferred secrecy and hiding things in the footnotes and so on were loath to give up this practice, but when they did the companies actually benefited and the shares went up. Could you comment, in the light of that and the fact that maybe the Government has not got anything to lose by making it much more obvious to the public as to what is going on?

(Mr Likiernan) I think that that is an absolutely crucial point, because we do not see great losses, frankly, from an improved presentation of this information. The Government is quite reasonably irritated very often when it is asked questions about information which is available in a footnote somewhere in an obscure document. Because people do not understand the information very well, they draw the wrong conclusions, and then again the Government is irritated by people asking perhaps the wrong questions. Similarly, members of the public may well not be able to understand what is going on and ask very naive questions which are very time-wasting. The idea of presenting information which is clear, and where people have the basis really for knowing what is going on and then deciding what they feel about it, is, if you like (not to sound perhaps too pretentious), fundamental to the democratic process. It seems to us that clear information should be something which is the right of every citizen. We do not feel that this should be a matter of contention.

(Mr Vass) I should say that the corporate sector does

provide quite an interesting historic example here. In 1976 the Accounting Standards Committee produced the Corporate Report which was really a start for better company reporting. Since that time, we have seen much better reporting by companies. Indeed, a large number of companies now use their annual report and accounts, for instance, as something which promotes their corporate image. The lesson we have learnt from that is that in order to get over a message to the public one needs to market that information, and that is what is so lacking in the current set of government financial reports.

Mr Wainwright

87. It has been implied, earlier in this afternoon's discussions, that all the information is there if people know where to look for it; and that therefore the deduction from that might be that we are really discussing simply methods of discovery and presentation. However, can you confirm that this is certainly not wholly true? On page 29 of your report you say that a notable expansion in the number of comparative performance indicators will be required. Do you perceive that those indicators are there just below the surface, to be hooked out and brought into prominence, or do you find that the systems of accounting in some Departments really do not make these performance indicators available?

(Mr Likieman) Perhaps I can answer that in two parts. First of all, on the specific question of performance indicators, I think that in the report we show that the claims made that there are a very large number of performance indicators, may not be justified in terms of the analysis which we did of what was actually presented. I think you are absolutely right in suggesting

that the information is there but just below the surface, and that all that needs to happen is that the information needs to be brought together and presented in a way that gives this - for example, comparative performance indication. So I think that in certain areas it is a question of presenting the information which is already available, in a way which is useful to the general reader. However, to take your more general point, I do not think we are simply talking about presentation of existing information. We have already heard talk of the volume issue, for example. There, as we said in the report, all the people we talked to - I mean all the people we talked to - were absolutely clear that they missed this information and that they needed information about volume, in order to draw certain conclusions about what was going on. So I think that that is one area - there are others - where certain information is missing.

(Mr Vass) Turning to the point about the volume series, and to answer Mr Scholar's question, I think we are aiming at the volume series (that is, the series incorporating the relative price effect), not at the cost series which has been reintroduced into the current Public Expenditure White Paper. The important point is that we do understand a distinction is made in terms of the input of resources into supplying a service and the effectiveness with which the output of the service is actually achieved, and there are a lot of problems in measuring the output of public services. However, what has often struck us, in talking to people, is that the question is really not one of whether cash figures and volume figures are mutually exclusive and you should have either/or, but that you should have both,

they compliment one another. Very importantly, if policy-makers are to understand what Departments are trying to do in their spending, I think you need the provision of both parts of the information (cash and volume). I should just say that I do indeed believe that the Central Statistical Office does have the information and the price series to enable quite robust relative price effects to be taken into account in individual departmental series.

Chairman

88. So you are arguing for all three, as I understand it, not two? You are arguing for cash, cost and volume?

(Mr Vass) Where they are relevant; and I think it is a judgement as to where they would be relevant in particular cases.

Mr Wainwright

89. Do you or do you not confirm that in addition to volume figures there must be the maximum number of output figures?

(Mr Vass) Indeed, but I do accept that these can be difficult to calculate.

(Mr Likiernan) Going back to the question as to whether that is all we are asking for, in a way what we are suggesting is that the reports -- certainly those for Parliament -- should be linked in much more closely to the decision points in the parliamentary procedure. When one talks, for example, about whether information is available at certain times, going back to the point made about whether there should be a debate in June or in February or March, I think that again we are looking at information that is relevant to the way in which Parliament can influence

decisions. I think that that is an extra, important dimension of what we are trying to do.

90. On this and on a number of other rather different occasions the Committee is reminded by Government that the ascertainment of performance and cost benefit is much more difficult for certain Departments than for others. Granted this, of course (that it is more difficult), do you believe that there is any Department where there is a valid reason for not providing at any rate a range of performance indicators?

(Mr Likierman) I do not think we went into this in great detail in our report, because in that respect we were looking at the external reporting system and not at the whole area of performance indicators inside Departments. Nevertheless, if I can give it as an opinion perhaps, I believe it is possible in almost all cases to give measures of that kind, or at least the process of trying to establish such indicators. I think that it is almost invaluable within Departments. So although, at the end of the day, there may not be easily accessible figures for lots of activities, I think that that process, through, for example, different parts of the financial management initiative, is very valuable in itself.

91. On this whole question of value for money, or the amount of value that the taxpayer is receiving or the population is receiving for money spent, do you agree that there are spheres of Government for which there is no comparator within this country? Where Government is virtually a monopoly provider, clearly, by definition, there can be no domestic comparator. Do you agree that in some EEC organisations and other international

organisations like NATO, force of circumstance has obliged the member countries to engage in international comparative costs, and with considerable success?

(Mr Likierman) Yes, indeed. I think you were pressing this point in a hearing of the Committee two or three years ago, and I believe that the witnesses at that time - from the Ministry of Defence - agreed with you.

92. The Ministry of Defence did but, strangely enough, the Department of Health - some of whose simple surgical procedures, for instance, happen to the great majority of people during their lifetime, if you remember, poured very cold water on the idea that the costs of removing a child's tonsils in the Netherlands could possibly be compared with the costs of removing a child's tonsils in Brighton. Do you believe that this is invalid reasoning, and that from existing international organisations there is already some substantial evidence that these international costs between adjacent countries can be ascertained and are valuable?

(Mr Likierman) I think one has to treat in this area all comparisons with very considerable care. Nevertheless, I think it is possible to get figures, and as long as there are suitable caveats about the base on which they are calculated, I am sure that that will be a valuable thing to do. I know that the DHSS has made quite considerable progress in adopting performance indicators and comparing, for example, regions within the NHS, so I think they have made quite considerable progress since those questions were answered.

Mr Freeman

93. Mr Likiorman, my questions really will relate to structure rather than presentation, I would like to ask you on page 18 of your report which cartoon figures on the left hand side represent individual members of the Committee? I will not press that question. If I might draw your attention to the four key recommendations on page 6 on restructuring. We have had evidence this afternoon from the Treasury which clearly points to, or at least indicates, that perhaps your four recommendations here are unwise and impractical. I would just like to take you through three of them and refer you back to what the Treasury said. The first recommendation is the Autumn Statement should cover three years. The evidence from the Treasury which you heard is if you insist on three years you will have to defer the Autumn Statement until January. That is really the implication and I would be very grateful for your comments as to the implications?

(Mr Likiorman) Well, I am not absolutely sure I accept the idea one would necessarily have to defer it. It is a matter of choice. The answer is if there is a timetable and decisions to be made and a decision has to be made to debate at a certain time, decisions can be made. I am uncertain why there is a law which dictates that the whole thing has to be delayed. I am not sure I accept that. I think that is a matter of choice not a matter of necessity.

94. Surely the decision on three years rather than one year out is geared toward publication in early February in the White Paper. What you are asking is that should be done

before if there is to be a debate before the Budget, well in advance of the Budget about public expenditure plans over three years?

(Mr Likiernan) What we are talking about are the outline figures, we are not talking about all the figures broken down into considerable detail. I would not think it was beyond the bounds of possibility to establish the totals and one year out. One does not have to work them through to all details in every programme.

(Mr Vass) One must question the logic of the argument that there is always a benefit which arises from immediate publication once a decision has been made. Perhaps the test one ought to be looking for is timely publication. It may be that a delay of two or three weeks might be of more benefit to discussion than just single information two or three weeks early. Once again, it is a judgment. I am not sure I understand the logic of always immediate publication.

95. That takes me on to your recommendation of ditching the February expenditure White Paper, rolling it into the Budget Statement. You appear to be suggesting therefore one debate that might take place, as it does, after Christmas on the public expenditure programme for three years ahead and perhaps another debate before the summer recess on public expenditure at the time when the Cabinet, Government can be influenced about not necessarily the outcome when it does commence in the following April but three to four years ahead. So you are focusing attention on the Cabinet at the right time. Is that what is influencing, motivating your recommendation?

(Mr Likiernan) Absolutely. I think those are the two key decision points on which the Government is taking very very important decisions about the shape of public expenditure. Again perhaps I can refer back to paragraph 99 of the Procedure Finances Committee Report which recommended a debate in January on the Autumn Statement. This is not the first time this has been suggested. They thought there should be a debate at that stage to influence the budget and the debate on public expenditure should be in the summer before the cycle starts but in the light of estimates published in departmental reports together with clearer policy statements from individual departments into which the estimates can be put, to us that makes the best sense.

96. Can we be clear about publication? If the public expenditure planning cycle comes to an end in January, would you not agree the figures should be published rather than wait until the Budget is available or ready for publication in March?

(Mr Likiernan) I think there is obviously an advantage of having information earlier rather than later all other things being equal. If Parliament can have departmental reports taken by the Select Committees which are influential in the planning process, which are comparable with what has gone into the Budget, it seems to me that is much more useful information than having less useful information earlier. I think that is the balance of choice involved.

Chairman

97. There is no case for delaying the information that is

available in February?

(Mr Likiernan) The question of how that should come out is a matter for the House to decide.

98. What would be gained by delaying publication?

(Mr Likiernan) There would be a chance for Departmental Select Committees to get the major chance, if you like, to look at the recommendations as they looked at the estimates; in other words to look at the way in which they could influence the public expenditure debate in the coming year.

99. I understand that; that was not quite my point. That is happening after the Budget, right, what I am saying is what is the argument if the figures are available in February in favour of delaying publication until Budget Day?

(Mr Likiernan) Because I think the information would be more useful to the House and Committees of the House than having it earlier in its present form.

100. How would the form vary between then and Budget Day?

(Mr Likiernan) What will happen is the detail will come in the form of the Departmental Reports. At the moment, as you yourself said, there is perhaps a rather unsatisfactory debate before the Budget on the Public Expenditure White Paper that is too late to influence major decisions. People have information but there is not much they can do with it at that stage. It is worth trading off the time factor for the relevance of the House procedures.

(Mr Vass) And coherence of the documents which you would get from the slight delay.

101. Much of that is straight answer but I am still not

quite clear why there is an argument for the House being saturated with information on both expenditure and revenue side on Budget Day rather than having a chance to look at the expenditure side in advance even though on Budget Day it is with the rest.

(Mr Likiernan) That is the choice. It is very difficult to say it is better to have information later rather than sooner. Our concern is the way the information is coming out is not very useful in practice to the relevance. That is our judgment from what we have seen.

Mr Freeman

102. That is a different point. From the Parliamentary point, would you not agree, when decisions have been reached in Government they should be immediately available to Parliament? That is an essential principle.

(Mr Likiernan) Yes, as far as the Autumn Statement is concerned, the broad outline will be available in January in time for the Budget, that makes good sense. If there were Departmental Reports rather than White Papers, the planning cycle would extend because, as is the case at the moment, the Public Expenditure White Paper figures have to be amended so a single set of figures would be produced later. That is a matter of choice.

103. Could I ask you one final question on the third recommendation where I thought your suggestion was full cycle estimates should be available on request as unprinted command papers and on page 22 you justify this by saying no-one reads them so they should be photocopied. I find that horrifying. We have a bad problem with the cycle of Government information particularly statements which are badly photocopied. Is your

recommendation purely one of cost saving?

(Mr Likiernan) That I think is one element but I think it recognises the reality that the vast bulk of detailed information is of interest to a few devotees in a few areas. Those devotees are interested to plough through the photocopied documents giving them all the information they need.

104. It is cost?

(Mr Likiernan) It is cost but I say it is also a recognition of the fact there is no need to bring these documents out in the form there currently provided there is not a general readership for them.

Mr Wainwright

105. I think it is necessary to come back to your point that the expenditure information should come out as part of a Budget document rather than somewhat earlier in the year. Am I taking it your reason for this implies that Parliament would be getting more information about public expenditure than was available to Cabinet when it agreed to public expenditure which is then being reported on?

(Mr Likierman) If I have understood your question right, and I am not sure I have, our hope would be that the information which came out would bring together pieces of information currently available in several different sets of documents which enable the departmental Select Committees and the House as a whole to consider that in the context of debates or Committee meetings which related to their deliberations on policy. I think the combination of information is crucial. At the moment the information is scattered across many different documents and that makes it very difficult for any set of readers to get to grips with what is going on.

106. But is not your implication of the view, that it is worth Parliament waiting so it can have <sup>a</sup> proper conspectus of the whole of these expenditure decisions, that the Cabinet taking such decisions before Parliament has not had the benefit of such a comprehensive context?

(Mr Likierman) I am not sure I know exactly what briefing the Cabinet has had on these matters. I sincerely hope it has had a comprehensive look at these factors.

107. But if it had that then your point that the information has to be waited for would be invalid, would it not? If all the information and the context had been made available to Cabinet earlier in the year then it would be available and there would be no reason to defer its publication to Parliament.

(Mr Likierman) If we go through the sequence, the government will have taken the overall public expenditure decisions. That information will be broken down into the departmental structure. Presumably the first time the Cabinet will hear about the taxation proposals is just before the Budget and at that moment the information

is then available to piece together the whole thing. So, as far as the decisions are concerned, the Cabinet will have taken its overall public expenditure decision the previous summer, it would have been told as a collectivity about the taxation proposals just before the Budget; it would not, in normal circumstances, have the two pieces of the jigsaw together at the same time, that is quite right.

108. Are we back to the old phrase, the Chancellor's dictum, that revenue determines expenditure and not the other way about, a matter on which this Committee has some scepticism? You suggest for the main estimates the detail should be integrated into the UK budget in a summarised form in departmental reports and then the documents will be available as unprinted command papers. Would there not be a danger in timing from the point of view of supplementary estimates? The supplementary estimates are more interesting than the main estimates because something unexpected has happened and if the supplementary estimates were to be dealt with in this way then it would not come to the attention of the House until it was too late to do anything about them.

(Mr Likierman) I do not think there is anything which we would seek to do to delay for one instance the publication of supplementary estimates. The present procedures could continue as they do at the moment, with the House considering them as quickly as possible in order to take the action it considers fit. I do not think there is anything in our proposals which would alter that basis of supplementary estimates.

Chairman: We are most grateful to you for coming along and giving us such a stimulating discussion.