



BRIEFING PAPER

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Public spending: New debates in the House

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Summary

One of Parliament's longest standing functions is the consideration and authorisation of the government's spending plans, requiring the government to obtain parliamentary consent before spending public money.

From 2018, changes are being made to the way debates on public spending are allocated. This follows a Procedure committee report last year.

In future, *any Member* will be able to submit a bid to Backbench Business Committee for a debate on public spending, in what are known as Estimates day debates.

The first allocation of debates is expected to take place in February 2018, following the publication of the 2017-18 Supplementary Estimates.

1. New debates in the House of Commons on public spending

1.1 What is changing?

From February 2018, new opportunities are being made available to backbench Members to debate government spending plans in the House of Commons.

This is because the rules on who can bid, what bids can be made and how bids are made for what are known as “Estimates day debates” are changing.

In future, these debate days will be devoted to the discussion of government spending plans rather than the previous focus of such debates on select committee reports. The main changes which are taking place now, and which come into effect immediately, are:

- any Member, not just select committees, will be able to bid for an Estimates day debate;
- the Backbench Business Committee will take the lead in allocation of Estimates day debates;¹
- bids for Estimates day debates will need to relate to Government spending plans in the Estimates;
- bids for Estimates day debates will no longer need to relate to a recent Select committee report.

1.2 Why are these changes happening?

A report of the House of Commons Procedure Committee² last year was critical of the way, up until now, Estimates day debates have been used. While three days a year have been set aside for many years, nominally for debates on Estimates (the government’s plans for public spending), in practice these slots have been used to debate a variety of topics, often only very loosely tied to public spending.

Part of the problem was felt to be that because, until now, the Liaison Committee³ selected the debates, the expectation was that debates should be about recent select committee reports.

Under an arrangement between the Backbench Business Committee and the Liaison Committee it has been agreed that, in future, in return for selecting topics for the three days of Estimates day debates a year, the Backbench Business Committee will make available three of its slots to the Liaison Committee for discussion of select committee reports.

¹ For the time being formal approval will still rest with the Liaison Committee under Standing Orders, but the Liaison Committee has agreed to endorse the Backbench Business committee’s proposals for a pilot period of the remainder of the 2017-19 session

² Procedure Committee, 5th report, 2016-17 session, *Authorising government expenditure: steps to more effective scrutiny*, HC 190, 19 April 2017, <https://publications.parliament.uk/pa/cm201617/cmselect/cmproced/190/19002.htm>

³ Chairs of Select committees meeting together

1.3 Submitting a bid for an Estimates day debate under the new arrangements

Bids for new Estimates day debates should give the names of those members who will take part in the debate and submitted to Backbench Business Committee using a new variant of the bid form which will be made available on the Committee's webpage. The Committee will use the list of names to gauge the likely level of cross-party interest in a debate.

In order to ensure that the Estimates day debates remain relevant to the public spending in the Estimates the title of the topic to be debated should take the form:⁴

- The spending of [name of Department] *or*
- The spending of [name of Department] on [name of programme/name of arms length body/name of activity] *or*
- [name of Department] spending and its consequences for grants to the devolved institutions"

There will be two annual opportunities to bid for Estimates day debates, in February, and in May/June.

The first slots to be allocated under the new arrangements will be for the 2017-18 Supplementary Estimates (expected to be published in the week commencing 5 February). The timetable will be as follows:

- bids should be submitted to the Backbench Business Committee by Friday 16th February 2018;
- the Backbench Business Committee will consider at its meeting on 20 February;
- the debates are currently expected to be held either in the week commencing 26 February or 5 March 2018.

The deadlines for future bid rounds will be announced in due course and widely publicised. The next round will of bids will take place shortly after Main Estimates are published in April.

1.4 Selection of Estimates day debates

Debates will be considered by the Backbench Business Committee, and endorsed by the Liaison Committee, before being announced in the weekly Business Statement in the usual way. Successful bidders for debates will be notified in the usual way by the Backbench Business Committee.

⁴ A few specific items of spending (eg judges' salaries) are not annually voted by Parliament in Estimates. For this reason, bids for debates on spending on these items should not be made.

1.5 Other opportunities for debating public spending

Estimates day debates are not the only occasion when public finances are debated in the House, but their purpose is somewhat different from other opportunities from financial debates. Estimates day debates take place as part of the consideration of the government's specific spending plans for the current year, published in its Main and Supplementary Estimates. Following the debates, the House is invited to approve all of the Estimates – both those which have been debated, and those which have not.

Other financial debate opportunities have different purposes and scope. For instance, following the Budget (now held in the autumn), there are also usually four days of debate on the content of the Budget speech and of a subsequent Finance Bill. These debates focus on what is included within the Budget, not specific plans for public spending (see Box 1 which explains the distinction).

Subsequent consideration of the Finance Bill is even narrower, being related to proposals to renew or alter taxation or other similar revenues, not to discussion on the levels or allocation of public spending.

Box 1: Budgets and Estimates: what is the difference?

The Budget is the annual set piece event where the Chancellor sets out his plans for taxation for the coming year, and for overall public spending and borrowing for the years ahead. The Office for Budget Responsibility publishes its updated economic and fiscal forecasts at the same time. Each Budget is followed by Budget debates, and a Finance Bill giving effect to changes and renewals of taxation.

Comprehensive plans for spending for each year are set out in Main and Supplementary Estimates. These are followed by Estimates day debates and then Supply and Appropriation Bills, which give effect to the spending plans set out in Estimates.

Beyond the allocated Estimates days, public spending can also be a topic, or relevant to a topic of other debates in the House – for instance those set aside for Opposition days or backbench business. But usually this forms only part of a debate, and it is not linked to the formal processes of approving government spending.

2. What are Supplementary Estimates?

2.1 Revised plans

The Estimates day debates in February are designed to give Parliament the opportunity to debate changes to government spending plans for the current year – set out in what are known as Supplementary Estimates.

2.2 Parliament's role

For government budgets to be formally amended – either upwards or downwards, or to extend the coverage of what existing or amended budgets can be spent upon – Supplementary estimates containing details of proposed changes need to be formally approved by the House of Commons.

First, topics need to be selected for debate (see [section 1](#)). The House may choose to amend downwards or reject outright the proposals contained in an Estimates which is the subject of debate

Second, remaining Estimates which are not the subject of debate are put to the House as “roll up motion” – they cannot be amended, although they can theoretically be rejected outright.

Third, all Estimates presented – those debated and those not debated – and if approved are put into effect through the passage of a Supply and Appropriation Act.

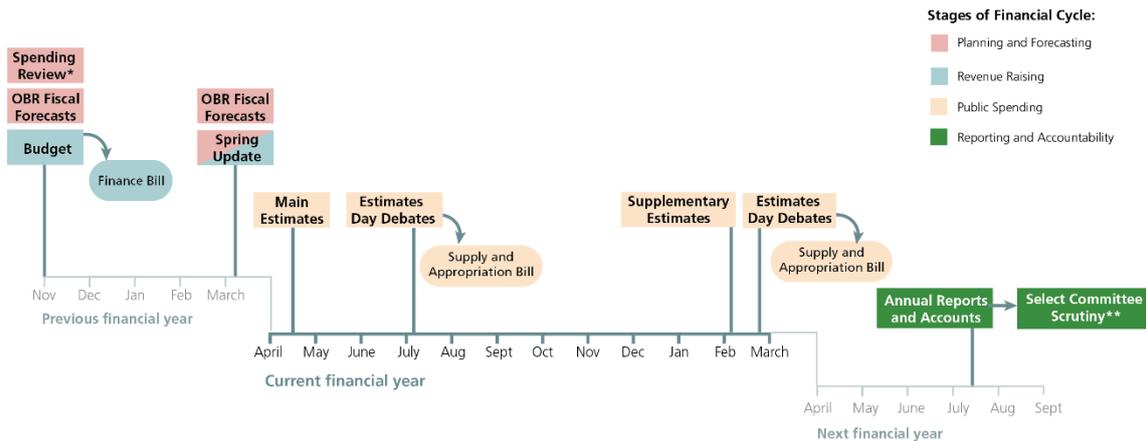
Fourth, following Royal Assent departments may draw down any additional funds contained in the Estimate.

2.3 Timing of Estimates day debates

Estimates day debates occur *before* the House is formally invited to approve the government's spending plans, set out in its Main and Supplementary Estimates

The first debates to be selected under the new arrangements are therefore for **Supplementary Estimates** for the current financial year, 2017-18.

In the current session, it is expected that two days will be made available for debate following publication of Supplementary Estimates. Following that it is expected that future debates days will be scheduled as one day in February /March (for Supplementary Estimates) and two days in July (for Main Estimates).



Notes:

* Spending Review happens once every 3-4 years

** Select Committee Scrutiny of Departmental Annual Reports and Accounts may continue well into the financial year

2.4 Why Supplementary Estimates are needed

In the interval between the publication of the original government budgets for the year (the Main Estimates) in April, and the closing months of the financial year, a lot can change. While government departments have flexibility to move money around within the limits previously agreed by Parliament (approved in the Main Estimates), fresh Parliamentary authority is required, through a Supplementary Estimate, to either

- increase a spending limit previously voted
- add to the coverage of the spending (amend the “ambit”)

In addition, government departments usually take the opportunity to update the detail of spending within the agreed totals, or to inform Parliament of money that is no longer thought to be required, when they produce a Supplementary Estimate.

The main reasons changes are needed within Supplementary Estimates are:

- **Circumstances change:** Events – economic downturns, wars, natural disasters are examples of events which can all alter the level of funding needed or felt to be needed to fund services or to pay costs;
- **Priorities change:** Electoral changes, changes in ministerial leadership, or revaluation of priorities can lead to additional funds being sought or reallocated;
- **Forecasts improve:** sometimes the amount of spending, or the timing of spending, can lead to changes in funds sought for a particular financial year. Sometimes assumptions have had to have been made at the beginning of the year as to how money will be allocated, when in fact decisions have yet to be finally taken, and the final decisions turn out to be different;

- **New services are to be provided.** Governments cannot seek funds for new services until they have passed the necessary legislation to do so. If this happens during the year, the ambit and the funding may need to be altered in a Supplementary Estimate;
- **The delivery of spending alters.** As the spending limits are set at departmental level, it may be decided that funding may be better deployed through another department instead. In such cases the overall change is neutral- one department reduces its budget, and another increases it. But this needs a Supplementary Estimate, and Parliament's approval, to happen;
- **Responsibilities of departments alter:** cabinet reshuffles and other changes to the responsibilities and titles of departments can lead to money needed to be shifted in year to follow new responsibilities;
- **Timing of spending alters.** Funding is voted by Parliament for a single financial year only. But if it is known by the end of the year that spending will slip into the following year, a department may reduce its funding in the current year in order to allow it to boost spending for a future year. This arrangement is agreed internally within government under a scheme known as "Budget exchange" before being presented to Parliament in a Supplementary Estimate;
- **The nature of spending alters.** Sometimes a department wants or needs to increase capital spending, and fund it by reducing its current spending. Because the spending limits have previously been separately agreed by Parliament, changes to them also need to be agreed by Parliament before they can take effect. Simple switches between different programmes that are within the same limit do not need Parliamentary approval, although often departments choose to include details in a Supplementary Estimate for completeness.

Some of these changes have a net neutral effect on spending overall. Where the overall level of funding increases, government departments will have had to agree funding with the Treasury beforehand.

For some areas of spending (eg pensions and benefits) it is accepted that forecasts routinely fluctuate throughout the year. Treasury has categorised such spending as "Annually Managed Expenditure" and will normally allow any reasonable forecast changes to be included in the supplementary estimate.

In other areas, (where spending lies within Departmental Expenditure Limits – limits set in previous spending Reviews) Treasury will consider requests for funding on their merits, and if satisfied that they are a priority grant access to its central Reserve for additional funding ie allow the department to submit a Supplementary Estimate to Parliament for a specified additional sum. Where this happens, use of the Reserve should be clearly indicated in the Estimate, and its accompanying explanatory memorandum.

2.5 What is in this year's supplementary Estimates?

It will not be known what is included in the 2017-18 Supplementary Estimates until they are published, probably in the week commencing 5 February 2018. A further library note will be issued shortly after publication, highlighting some of the key changes the 2017-18 Supplementary Estimates contain.

Funding announcements relating to 2017-18 made up to, and including, the spring 2017 Budget will have already been included in the amounts shown in the Main Estimates for 2017-18, which have already been approved.

Extra funding announced in the autumn Budget for 2017 is yet to be reflected in Estimates. Although the majority of additional money announced then was for future years, £335 million extra was announced for the NHS for 2017-18 and this can be expected to feature in the 2017-18 Supplementary Estimates when they appear in early February.⁵

2.6 What do the existing spending plans show?

The Supplementary Estimates will propose changes to the existing spending plans, first set out in the 2015 Spending Review, and presented in further detail, with some modifications, in the 2017-18 Main Estimates last summer.

In the 2015 Spending Review, Government planned to modestly increase overall spending in cash terms, but to reduce spending overall by an average of 0.8% in real terms, to reduce spending as a share of GDP and to eliminate the annual deficit by 2019-20.

Protections were given to NHS spending (a headline £10 billion real terms increase on NHS funding between 2014-15 and 2020-21); to maintain the schools, police and science budgets in real terms; to maintain International aid at 0.7% of GDP and to ensure defence spending did not fall below 2% of GDP (the NATO target). As a consequence most other departments saw real terms falls in resource DEL funding over the spending review period.

Capital DEL spending was set to rise, with commitments to £120 billion of infrastructure over the Spending Review period.

In addition the Government sought to reduce AME spending on benefits by around £12 billion by 2019-20. Pensions spending was forecast to continue to rise, despite the increased state pension age, as a result of policies such as the triple lock and as a consequence of increased life expectancy.

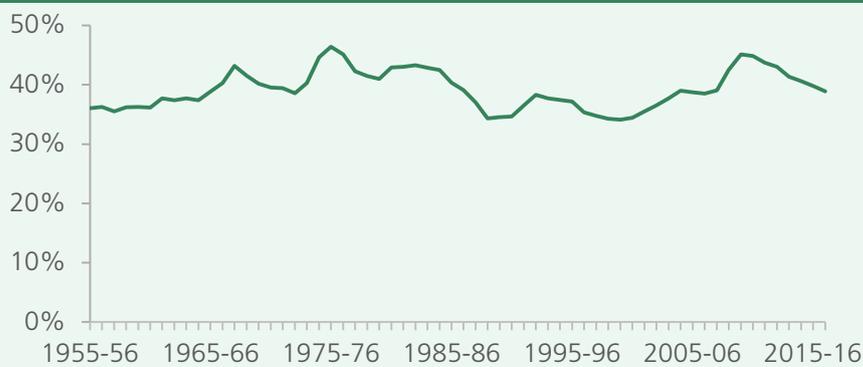
⁵ Along with Barnett consequential for devolved governments

Since then a number of changes have been made to the 2017-18 budgets originally planned:

- the government has pushed back its target for reducing the deficit. Deficits (excesses of spending over revenue) will continue for the time being, although are still forecast to reduce;
- the leave vote in the EU referendum has led to additional expenditure on Brexit preparation and new departments being created- (DEXEU, DIT);
- subsequent Budgets and Autumn Statements have announced some additional funding, particularly in the areas of health and social care. Some other, mainly smaller announcements of additional funding have been made;
- some of the benefits changes previously planned have been modified or withdrawn.

Overall, Total Managed Expenditure expected for 2017-18 – the government’s usual measure of total public spending- rose from £787.5 billion at the time of the 2015 Spending Review, to £802.4 billion in the 2017 spring budget, but has since fallen again to £795.3 billion in the autumn 2017 budget. Some of this reflects spending decisions, in other cases it reflects revisions to forecasts.

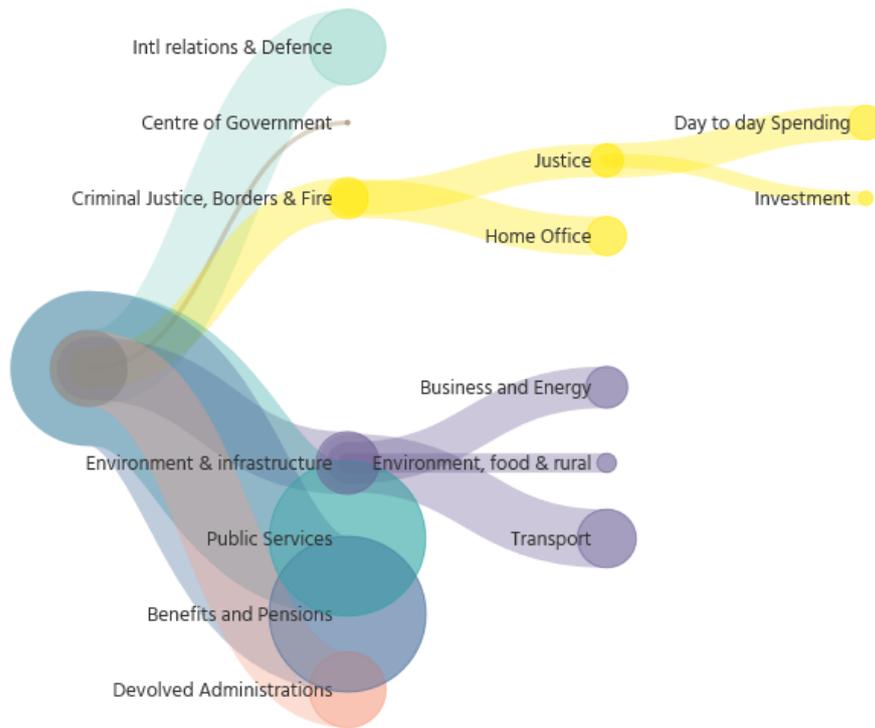
As a share of national income total public spending has fallen since 2009/10. It is now similar to the 1955/56 - 2016/17 average total managed expenditure, % GDP



source: Office for Budget Responsibility. Public finances databank

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The diagram below reflects the balance of funding between different functions in government.



An interactive version of this graphic, providing the ability to drill down further into specific budgets is available here.

<https://mzakharova.github.io/me/me1718.html>

This is best viewed in Google chrome or safari- rather than internet explorer.

The Library briefing [Public spending: a brief introduction](#) provides an overview of public spending, including key definitions, breakdowns and trends.

2.7 Funding for devolved administrations

The devolved Parliaments/assemblies receive cash funding through Estimates approved by the Westminster Parliament. The amount of cash they receive relates to calculations made using the Barnett formula. This is designed to ensure that where funding is announced in Spending Reviews, Budgets or Autumn Statements, the devolved governments receive equivalent funding per head for services that are devolved.

In recent years, downward adjustments have also been made reflecting the taxes which the devolved institutions collect directly; and taxes collected on behalf of other governments are also paid over through estimates.

How the cash approved by Westminster through Estimates for devolved institutions is spent is for the devolved administrations to determine, with processes in their own Parliaments/assemblies. Special arrangements have been made in the case of Northern Ireland this year – further information is available in the Library briefing [Northern Ireland Budget Bill 2017-19](#).

3. Parliament's role in considering Estimates

3.1 Approving, rejecting or amending

Following debates, votes on the floor of the House may only take place on those Estimates relevant to the Estimates day debates. Furthermore it is a long standing convention that only the government may propose *additional* spending (the Crown Prorogative).

Accordingly while it is possible for an Estimate selected for debate

- to be rejected
- to be amended downwards (if proposed, a token reduction of £1,000 is conventional)

For such a vote to be successful is extremely rare.

The remainder of Estimates not selected for debate -ie the vast majority- are put together in a "roll up" motion and voted without debate.

The funds are formally authorised first by Supply Resolutions, and subsequently through a Supply and Appropriation Bill. There are two of these each year one for the Main Estimates, and one for the Supplementary Estimates and Vote on Account.

3.2 Role of Select committees

Select committees have a continuing role in financial scrutiny. The Liaison Committee has set out a number of core tasks which are common to select committees. There is a specific core task:

"to examine the expenditure plans, outturn and performance of the department and its arms length bodies and the relationship between spending and the delivery of outcomes"

Committees are supported in this role by the House of Commons Scrutiny Unit. The Scrutiny Unit routinely provides analysis and data visualisations of Estimates for committees, which are subsequently available on its webpages.

3.3 Role of House of Lords

The House of Lords involvement in approval of Estimates is purely formal, with no debates or votes taking place.

4. Further reforms

4.1 The Procedure Committee's inquiry and its recommendations

The Procedure Committee's 2017 report⁶ made a number of other recommendations for reform, beyond the allocation and usage of Estimates day debates.

Some of these recommendations have now been accepted by the government:

- The government published detailed calculations in December for the first time on how the amounts payable to the devolved institutions have been calculated;
- The government has agreed to look at improvements to the format of Estimates, and to making more information available in spreadsheet format;
- The government has agreed also to support the Scrutiny unit in reviewing the content and format of the explanatory memoranda that accompany Estimates;
- The government has no objection to altering the allocation of estimates days between spring and summer.

Other recommendations, such as suggested changes to allow greater time for Estimates consideration, and bring this forward to before the start of each financial year, have not, for now, been accepted.⁷

A further report, by the Procedure committee of the new Parliament, was published on 22 January 2018,⁸ following up the government's response and implementation of changes.

It is possible that further future inquiries, on related subjects, may be conducted by the Procedure committee

⁶ Procedure Committee, 5th report, session 2016-17, *Authorising government expenditure: steps to more effective scrutiny*, HC 190, 19 April 2017, <https://publications.parliament.uk/pa/cm201617/cmselect/cmproced/190/19002.htm>

⁷ Government response to the fifth report of the Committee, Session 2016-17, *Authorising government expenditure: steps to more effective scrutiny* <http://www.parliament.uk/documents/commons-committees/procedure/hc739-response-fifth-report-201617-hc-190.pdf>

⁸ Procedure Committee, 3rd report, session 2017-19, *Debates on Estimates days: piloting new arrangements* <https://publications.parliament.uk/pa/cm201719/cmselect/cmproced/739/73902.htm>

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