



Budget Responsibility and National Audit **[HL] Bill: Committee stage report**

Bill 143 of 2010-11

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The first part of this Bill creates a statutory framework for the Office of Budget Responsibility (OBR), which was established after the general election in 2010 to provide independent forecasts for the economy and public finances. The second part sets out in statute new corporate governance arrangements for the Comptroller and Auditor General (C&AG) and the National Audit Office, which had been planned for enactment in the *Constitutional Reform and Governance Act 2010*, but were removed at wash-up just before the May 2010 election. The Bill has been subject to some minor amendments in its passage through the Lords. No significant amendments were made at Public Bill Committee stage. There were four sittings, and no oral evidence session, given that the Bill began its passage in the Lords.

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Summary

This Bill began its passage in the Lords. The first part creates a statutory framework for the Office for Budget Responsibility (OBR), which was established after the general election in 2010 to provide independent forecasts for the economy and public finances. The second part sets out in statute new corporate governance arrangements for the Comptroller and Auditor General (C&AG) and the National Audit Office, which had been planned for enactment in the *Constitutional Reform and Governance Act 2010*, but were removed at wash-up just before the May 2010 election.

The Bill was amended during its Lords stages. The bulk of the scrutiny was on the OBR, given the long gestation of the clauses relating to national audit. The amendments included a requirement for an external review of the OBR's work and clarification of the role of the OBR's non-executive members. A clause which had been criticised for limiting the OBR's independence was removed. In respect of part 2, there was a minor amendment clarifying the procedure for former C&AGs to seek advice on post-employment rules.

In the Commons, the Bill had a consensual welcome at second reading and there was no division. The programme motion allowed for the committee stage to end by 8 March, but in fact the committee finished the last and fourth sitting on Thursday 3 March. There was only one technical amendment. Most of the scrutiny focused on the independence of the OBR, the process of review and the role and appointments process for the non-executive members.

There were four divisions during Public Bill Committee. The first two took place in the second sitting on the afternoon of 1 March these were Opposition amendments to create new duties for the OBR to consider child poverty levels and impartiality of the local government finance settlement. The third division was over an Opposition amendment to give the Treasury Select Committee involvement in the appointment of non executive members to the OBR. The fourth was another Opposition amendment to remove the ability to make severance payments for members of the OBR. These took place at the third sitting on 3 March. All were unsuccessful. The only amendment moved by the Government, and added to the Bill was the privilege amendment, necessary as this Bill originated in the Lords.

1 Introduction

This Bill was first introduced into the Lords. It did not prove controversial, but the Government responded to some points made in the Grand Committee stage with a package of amendments on Report. The Bill extends to the UK and will be brought into force by commencement orders. The [second reading of the Bill](#) in the Commons was on 14 February 2011. [Research Paper 11/15 Budget Responsibility and National Audit Bill](#) provides background.

Part 1 of the Bill sets out the Government's new fiscal framework and provides for the establishment of the Office for Budget Responsibility (OBR) on a statutory basis. The [Treasury Select Committee](#) published a series of reports on the OBR and appointments to the body during 2010 and has proved influential in shaping its structure.

The Bill requires the Treasury to publish a Charter for Budget Responsibility which is to include the Government's fiscal policy objectives and its "fiscal mandate". The fiscal mandate was published in the June 2010 Budget. The new mandate sets the Government's target for reducing the budget deficit. It is supplemented by a target for public sector debt. This is essentially a replacement for the previous Government's fiscal rules. The new fiscal rules aim to improve on their predecessors by being forward-looking and being assessed on the basis of independent forecasts produced by the OBR.

The OBR was established on a non-statutory basis in May 2010. The Bill will put it on a statutory basis. The OBR will produce forecasts for the economy and public finances, replacing those previously published by the Treasury in the Budget and Pre-Budget Report. The forecasts will be produced independently of government with the aim of removing any perception that the forecasts are motivated by political considerations. The OBR will also examine the likelihood of the fiscal mandate being met and will report on the longer-term sustainability of the public finances. The non-statutory OBR has already published three sets of forecasts: two under the interim chairman, Sir Alan Budd and one under Robert Chote, who became chairman in October.

The creation of the OBR has generally been welcomed, especially for bringing greater transparency to forecasting. Concerns have been expressed, however, about how independent the OBR will be in practice. The OBR will need to have contact with the government and access to its information in order to produce the forecast. This might be perceived as reducing its independence. Much of the consideration of the Bill in the House of Lords was about ways to bolster the OBR's independence. A number of amendments were made by the House of Lords. These included a requirement for an external review of the OBR's work and clarification of the role of the OBR's non-executive members. A clause which had been criticised for limiting the OBR's independence was removed.

Part 2 of the Bill would also create a new corporate governance structure for the National Audit Office, under a new paid post of Chair, which would develop a joint strategy with the Comptroller and Auditor General. The Chair, Amyas Morse, has already been appointed and taken up office. The clauses in this Bill were originally contained in the *Constitutional Reform and Governance Bill 2009-10*, but were dropped at wash-up just before the general election of May 2010. The only amendment in the Lords for this part was to clarify that the Public Accounts Commission would set out a body from which former C&AGs would take advice on employment.

2 [Second reading 14 February 2011](#)

The Financial Secretary to the Treasury, Justine Greening, outlined the Bill's provisions after noting the speed with which the Government had acted after the general election to establish

the Office for Budget Responsibility. She drew attention to the promotion of independence in the governance model as follows:

We have sought to reflect the theme of independence in the constitution and governance of the OBR. In line with the recommendation of the International Monetary Fund, the OBR is established with its own legal personality and will operate at arm's length from Ministers as an executive non-departmental public body. The OBR's executive functions will be undertaken by a three-person Budget responsibility committee. The members of this committee will be appointed by the Chancellor. To support independence, the Bill makes provision for the Treasury Committee to veto all appointments and dismissals. That statutory veto bestows on the Committee more power than it has over any other public appointment. The Chancellor has said that he is giving the Committee this veto to ensure that there is no doubt that the individuals leading the OBR are independent and have the support and approval of the Committee.

A chairman will lead the BRC and run the OBR. All staff will report to the chair, and that person will control the "hiring and firing" of the staff. The staff will be civil servants, ensuring the OBR can recruit from the widest possible pool of expertise. There will also be at least two non-executive members, to provide support and challenge to the OBR. The non-execs will report on how the OBR performs its duty. They will also commission expert peer review of the OBR's forecast and analysis.

The OBR will report directly to Parliament, with its forecasts and reports laid directly in the House, as was the case with the autumn forecast in November 2010. Written questions from Members will be passed to the OBR to respond to, and the members of the BRC will be available for Select Committee scrutiny.¹

Ms Greening passed briefly over the National Audit Office provisions in part 2 of the Bill, noting that they had been included in the *Constitutional Reform and Governance Bill 2009-10* but lost at wash-up before the general election.

For Labour, Angela Eagle indicated her support for the NAO provisions. Much of the short subsequent debate focused on the difficulty of accurate economic forecasting and the records of previous Governments in that area. Ms Eagle expressed support for an independent OBR:

Let me be the first to say that the Opposition support an independent OBR, so long as it is indeed independent. In that respect, the OBR has some ground to make up and some points to prove after its very difficult start in life. Initially it was located a few doors down from the Chancellor in the Treasury and consisted entirely of Treasury civil servants. Its much vaunted "independence" was utterly compromised in June last year when it was unwisely bounced into the politically convenient early publication of employment forecasts, suspiciously just ahead of Prime Minister's Question Time—the Minister did not refer to that incident. The forecasts themselves turned out to be controversial and the OBR ended up looking more like an offshoot of the propaganda machine inside Conservative central office than an independent and trusted forecasting organisation. Sir Alan Budd, the interim head of the OBR, announced his shock departure shortly afterwards. We may well have to wait until he writes his memoirs to find out exactly what really happened.²

Ms Eagle indicated that the Opposition would want to raise in committee questions of accountability to Parliament:

¹ HC Deb 14 February 2011 c752

² HC Deb 14 February 2011 c755

In addition to concerns about independence, we want to raise in Committee issues of the OBR's accountability to Parliament. We wish to explore how independent the OBR will really be, given that close co-operation with the Treasury will be needed to access the information to generate the forecast in the first place. There is also the issue of its budget-I accept the comments that the Minister made about the transparent five-year budgeting process, but there are examples of similar bodies in other countries having had their budget cut as a result of displeasing the Government with whom they were working. The governance arrangements will need further scrutiny, as will issues of accountability, not just in relation to the Treasury Committee veto on appointments, but regarding the OBR's accountability to Parliament.³

The Conservative backbencher Mark Field emphasised the importance of an independent body which would prove robust at times of threatened financial crisis.⁴ Other backbenchers spoke, including David Rutley drew attention to the work of the Treasury Committee in scrutinising the development of the OBR. Sheila Gilmour was attracted to the possibility of allowing the OBR to consider alternative policy scenarios (currently not within its remit). She noted the relatively low attendance of backbenchers for the debate and the fact that it finished earlier than 10pm.⁵ Following the wind up speeches, the Bill was given a second reading without a vote.⁶

2.1 Programme Motion

Under the terms of the programme motion, the Bill was committed to a Public Bill Committee with an end date of 8 March. There was no vote on the programme motion. A call for evidence was issued asking for submissions to be made by 8 March.⁷

3 Public Bill Committee

The Public Bill Committee considered the Bill in four sittings. It did not hold any oral evidence, as the Bill originated in the Lords, or formally receive written evidence, but briefs from the Chartered Institute of Taxation and the Institute of Chartered Accountants were circulated. These concentrated on ensuring that non executive members of the OBR should be open to tax law specialists. There was only one amendment during Public Bill Committee stage, and that was the privilege amendment, moved by the Government. There were four divisions, all won by the Government members.

At the [first sitting on 1 March](#), Ms Greening set out the Government's plans for the scrutiny of the Bill. She proposed dealing with Schedule 1 after clause 9 - in effect to debate the remit of the Office for Budget Scrutiny before its structure. The Opposition spokesperson Kerry McCarthy was not fully convinced of this argument and was concerned that there would be insufficient time to discuss the Charter as it was not mentioned on the face of the Bill.

3.1 Charter for Budget Responsibility

Ms McCarthy put forward some probing amendments designed to elicit more information on the question of public consultation and the role of the Treasury Committee in its creation.⁸ She considered that a revised version of the Charter should be fully debated and approved by the Treasury Committee and by both Houses before the Bill achieved royal assent, but there were procedural difficulties in tabling such an amendment.⁹ In response, Ms Greening

³ HC Deb 14 February 2011 c757

⁴ HC Deb 14 February 2011 c762

⁵ HC Deb 14 February 2011 c768

⁶ HC Deb 14 February 2011 c783

⁷ <http://www.parliament.uk/business/news/2011/february/budget-responsibility-and-national-audit-bill/>

⁸ PBC Deb 1 March 2011 c4

⁹ PBC Deb 1 March 2011 c6

noted that the Charter had been published in draft since November 2010 and that to have a further round of public consultation would delay establishing the Office on a statutory footing. She argued against a specific role for the select committee, noting that the Charter would be approved by the whole House.¹⁰ In response to backbench concerns that there might not be sufficient parliamentary scrutiny on the floor of the House, Ms Greening noted that the Charter would be approved in exactly the same way as the Code for Fiscal Responsibility, which was brought in by the previous Government.¹¹ Kerry McCarthy indicated that the Opposition would return to the role of the Treasury Committee on report.

3.2 Annual budget documents

Chris Leslie, for the Opposition, then moved on to Clause 2 to probe how the requirement for these documents to conform to the Charter would be tested or enforced.¹² Ms Greening noted there was a “clear basis for calling the Treasury to account if it does not meet the provisions” and so an explicit mechanism was unnecessary.¹³ Mr Leslie probed further:

I specifically asked the Minister about the justiciability of the provision. I should be grateful if she could explain how if a member of the public felt strongly that there was a disjoint between the charter and the Budget, the provision would help them to check the Executive and test for conformity. Is it to be done by making an application through the civil or county courts for judicial review? At what point would that be elevated to a higher court? What support would be available for members of the public to test for conformity, or would it be the normal justiciability test?

I should be grateful if the Minister could elaborate on that point. Clearly, she will want transparency and openness for the widest possible range of members of the public. I would be interested to hear her views....

Justine Greening: For clarification, I can tell the hon. Member for Nottingham East that conformity is a duty on the Government set out in law. We expect the matters of conformity of which he spoke to be dealt with by Parliament and not by the courts. ¹⁴

On the clause 2 stand part debate, Mr Leslie asked whether the methodology and costing models for various elements of financial policy decisions that would be made available to the OBR would also be placed in the House of Commons Library, or made available to the Institute for Fiscal Studies or the public more widely.¹⁵ In response Ms Greening did not give a specific commitment, but noted that both the OBR and the Treasury would be subject to freedom of information legislation.

3.3 Office for Budget Responsibility- relationship with Treasury

Kerry McCarthy spoke to an amendment to create a Memorandum of Understanding between the OBR, the Treasury and the Bank of England, which she argued would make the relationship more formal and visible. She also suggested a role for Parliament in scrutinising that relationship.¹⁶ Justine Greening noted that a MoU between the OBR and the Treasury was being developed and also MoUs between the OBR and Revenue and Customs and the OBR and the DWP, in line with Treasury Committee recommendations. These documents

¹⁰ PBC Deb 1 March 2011 c7-9

¹¹ PBC Deb 1 March 2011 c15

¹² PBC Deb 1 March 2011 c18

¹³ PBC Deb 1 March 2011 c21

¹⁴ PBC Deb 1 March 2011 c23

¹⁵ PBC Deb 1 March 2011 c26

¹⁶ PBC Deb 1 March 2011 c27

would be published as joint documents.¹⁷ Ms McCarthy withdrew the amendment, noting some residual concerns.

3.4 Duties of the OBR

At the end of the first sitting, Chris Leslie spoke to amendments which gave additional duties to the OBR. These included impact on child poverty levels, and the impartiality of the local government finance settlement. Other amendments sought to define sustainability more broadly and to require the OBR to publish an assessment of the accuracy of its fiscal and economic forecasts. The debate on these amendments was carried over to the [afternoon sitting of 1 March](#).

Mr Leslie pressed the amendments on child poverty and the local government finance settlement. The first was defeated by 8 votes to 7 and the second was negatived without a vote.¹⁸ The divisions were preceded by a debate on both topics. Ms Greening pointed out that the Government intend to amend the charter to require the OBR to set out how it will approach sustainability in each of its reports. She pointed out that if the OBR were to be independent, it could not be subject to detailed direction by Parliament.¹⁹ This was disputed by Opposition MPs who considered that the amendments merely gave the OBR powers to consider examine specific topics. Ms Greening also noted that an annual reporting requirement would provide the OBR with sufficient time to produce rigorous analysis, but there was nothing to stop the Office providing more frequent analysis if it so wished.²⁰

The Committee then debated the principle of clause 4. Mr Leslie probed the process by which the OBR would carry out its self assessment. Ms Greening set out the four statutory duties of the OBR and commented that beyond these duties, the Office would have “complete discretion to analyse any relevant issues”. The Labour backbencher, Thomas Docherty, had queried whether the OBR would be able to examine the sustainability of funding in Scotland, Wales and Northern Ireland. In response, Ms Greening noted that the advertisements for the remaining non executive directors of the Board would be made later on in 2011 and indicated that two appointments would be made before the summer recess.²¹ These directors would be responsible for commissioning an independent review of the OBR every five years.

3.5 Performance of main duty of the OBR

During the debate on clause 5, Kerry McCarthy probed whether contacts between the OBR and the Treasury would be published. Justine Greening noted that in November 2010 the OBR published a full log of all substantive contacts with ministers, special advisers, and private office staff, during the forecasting process, and so while supportive of the spirit of the amendment, she thought it unnecessary.²²

3.6 Guidance on main duty of the OBR

Kerry McCarthy spoke to amendments which would allow the Office to prepare analysis at the time of its own choosing, expressing concern about the potential for Government interference. Ms Greening argued that the OBR needed to coordinate with the Treasury regarding the timing of the OBR analysis. Other work could be published at a time of the OBR's choosing.²³ Ms McCarthy withdrew the amendment and in the general debate on the

¹⁷ PBC Deb 1 March 2011 c30-31

¹⁸ PBC Deb 1 March 2011 c57

¹⁹ PBC Deb 1 March 2011 c48

²⁰ PBC Deb 1 March 2011 c52-53

²¹ PBC Deb 1 March 2011 c63

²² PBC Deb 1 March 2011 c66

²³ PBC Deb 1 March 2011 c69

clause the question of the 28 day period for modifying Treasury guidance to the OBR in the Charter, Ms Greening referred to that period being a minimum.²⁴ She resisted amendments to extend the OBR duties to alternative policy scenarios.

3.7 Efficiency of the OBR

Chris Leslie queried whether it was necessary to spell out in the Bill the need for the OBR to carry out functions efficiently and cost effectively.²⁵ In response Ms Greening drew attention to the need to achieve maximum credibility in a deficit reduction period. The Conservative David Nuttall proposed that the OBR should be required to act efficiently rather than 'aim to'. Ms Greening referred again to the provision being standard in other types of legislation.²⁶

3.8 OBR reports

Mr Leslie also queried the inclusion of clause 8 which required the publication of OBR reports. Ms Greening said that the clause also required the OBR to lay its reports before Parliament and send a copy to the Treasury.²⁷ She noted that in line with the pre-release access policy of the Office of National Statistics of 24 hours notice to the Treasury of its reports:

Justine Greening: Hon. Members will know that this clause ensures that the OBR publishes each of the reports required under clause 4 and publication will allow every interested party to access the forecasts, analyses and assessments of the OBR. That is the key element of the OBR's transparency. As we have just heard, it is clearly set out in clause 8 that the OBR must lay its report before Parliament, not the Treasury. In fact the Treasury will be sent a copy of the report. That is a further example of how we have tried to strike the right balance by making sure that although the OBR produces official forecasts that the Treasury uses, it is nevertheless independent of the Treasury and that is why a copy of those reports will be sent to the Treasury.

On the point about timing, for the autumn forecast, the OBR shared its final report with the Treasury in line with how the Office for National Statistics would generally operate in terms of pre-release access. So the Treasury got 24 hours' notice but that is no different from the way public statistics are often put into the public domain. It is entirely consistent with that overall approach, which I hope will provide some reassurance that there is no special arrangement for this report over other reports that people like the ONS would release.²⁸

The second sitting ended with the debate on the principle of clause 8.

3.9 Access to information for the OBR

The [third sitting on 3 March 2011](#) began with clause 9. In a probing amendment, Kerry McCarthy wondered whether the Treasury would resist information requests from the OBR. Justine Greening noted that the use of the word reasonable in clause 9 was a legal clarification to ensure proportionality.²⁹ The amendment was withdrawn.

The committee then debated Schedule 1 on the governance of the OBR. Chris Leslie spoke to amendments which would involve the Treasury Select Committee in the appointment of

²⁴ PBC Deb 1 March 2011 c71

²⁵ PBC Deb 1 March 2011 c75

²⁶ PBC Deb 1 March 2011 c79

²⁷ PBC Deb 1 March 2011 c81

²⁸ PBC Deb 1 March 2011 c81

²⁹ PBC Deb 3 March 2011 c88

the non-executive members of the Office.³⁰ Ms Greening defended the arrangement, noting that the executive members would have responsibility for performing the core functions of the OBR:

Justine Greening: The amendments would require that the appointment of the OBR's non-executive members be subject to the same veto by the Treasury Committee as the expert Budget Responsibility Committee appointments. The Select Committee's veto over the BRC appointments is exceptional. It is in place because it is appropriate to ensure the independence of those appointments in view of their executive responsibilities for producing the forecast. Non-executive members also have an important role in safeguarding the independence of the OBR, but it is actually the executive BRC that has responsibility for performing the core functions of the OBR. It is neither appropriate nor necessary for the non-executive member appointments to be subject to the same exceptional process involving a Treasury Committee veto.³¹

She also pointed out that the Treasury Committee had not requested a veto power over non executives and expressed surprise that Mr Leslie had not consulted the Treasury Committee before tabling the amendment. **Mr Leslie suggested that the non executives would be in a weaker position without endorsement from Parliament and pressed the amendment to a division which was lost by 9 votes to 6.**³²

3.10 Occupational background and terms and conditions of members of OBR

Kerry McCarthy then spoke to an amendment prompted by the briefing from the Institute of Chartered Accountants in England and Wales. This proposed that one of the non execs have experience on public finance, accountancy or sustainability issues rather than being an economist. She was immediately challenged by David Nuttall to explain the definition of an economist.³³ This prompted further debate and Ms Greening suggested that the Bill should not fetter the discretion of the Budget Responsibility Committee and the Chair.³⁴ Ms McCarthy withdrew the amendment and spoke to another which would reduce the term of appointment from five years to three. Ms Greening pointed out that the initial appointments were in any case staggered and that five years was sufficient to build necessary expertise.³⁵

Chris Leslie introduced amendments to strengthen oversight arrangements for the remuneration of members of the OBR. These would ensure that the Treasury would review remuneration annually and publish the review. His other amendment dealt with severance pay, reducing the amount payable. Ms Greening resisted the amendments, noting that an annual review would create uncertainty and undermine independence.³⁶ In any case, salaries were to be frozen for the first two years of the five year term. She referred to documentation on the Treasury website which gave full details. Ms Greening also stressed that severance arrangements were standard for NDPBs and would be given only in exceptional circumstances. The amendments prompted a general debate on terms and conditions, such as allowances for OBR members Mr Leslie accepted that executive members would receive £69,000 each but suggested that the Treasury had not yet decided on whether there would

³⁰ PBC Deb 3 March 2011 c89

³¹ PBC Deb 3 March 2011 c90

³² PBC Deb 3 March 2011 c95

³³ PBC Deb 3 March 2011 c95

³⁴ PBC Deb 3 March 2011 c96

³⁵ PBC Deb 3 March 2011 c98

³⁶ PBC Deb 3 March 2011 c100

be remuneration for non executives.³⁷ **Mr Leslie pressed the severance payment amendments to two divisions which were both lost by 10 votes to 7.**³⁸

Kerry McCarthy asked for clarification about the terms of appointment and the role of the Treasury Committee in setting these terms. Justine Greening assured her that the drafting in the schedule was standard for NDPBs and it would be open to the Treasury Committee to scrutinise these.³⁹

3.11 Independent staffing for OBR

At the end of the third sitting Ms McCarthy introduced an amendment to ensure that OBR staff would be employed solely by the Office and not seconded in. The full debate took place on the [fourth and final sitting](#) on the afternoon of 3 March. Thomas Docherty suggested that the amendment would facilitate relocation of the Office outside London.⁴⁰ Justine Greening said the question of location was a matter for the OBR. She said that once there had been royal assent a number of forecasting experts will be transferred from the Treasury to the OBR as direct employees. She emphasised that Robert Chote would be responsible for both hiring and firing appropriate staff.⁴¹ In view of the assurances, Ms McCarthy withdrew the amendment.

3.12 Transparency and review of OBR

Ms McCarthy then introduced an amendment which would require the BRC and its sub committees to publish minutes of its meetings. Ms Greening explained that Schedule 1 allowed the BRC to determine its own procedures and argued that the OBR was not a policy making body unlike the Bank of England's Monetary Policy Committee. In addition, the OBR was subject to Fol.⁴² The amendment was withdrawn.

Ms McCarthy introduced amendments which would give the non executives a duty to review the operation of the OBR every three years instead of every five. She made the point that with the introduction of five year parliaments as a result of the Fixed Term Parliaments Bill, the timing of the reviews might be tricky.⁴³ In response, Ms Greening argued that if there were to be non execs, Parliament should give them the freedom to take a view on the timing of the review. The credibility of the OBR would be at stake.⁴⁴ In view of the response, Ms McCarthy withdrew the amendment.

3.13 Funding of OBR

Kerry McCarthy spoke to an amendment which would give the Treasury Committee power to approve the budget proposed for the OBR by the Treasury. She referred to experiences in Canada and Sweden where equivalent bodies had suffered budget cuts. Ms Greening said that arrangements were already in place for transparency on the budget and that both the Chair of the Committee and the OBR Chair had indicated that these were sufficient. She stressed that the budget would be set for a five year period. The amendment was withdrawn and scrutiny of Part 1 of the Bill was completed.⁴⁵

³⁷ PBC Deb 3 March 2011 c103

³⁸ PBC Deb 3 March 2011 c104

³⁹ PBC Deb 3 March 2011 c105

⁴⁰ PBC Deb 3 March 2011 c111

⁴¹ PBC Deb 3 March 2011 c113

⁴² PBC Deb 3 March 2011 c115

⁴³ PBC Deb 3 March 2011 c116

⁴⁴ PBC Deb 3 March 2011 c117

⁴⁵ PBC Deb 3 March 2011 c119

4 National Audit Office governance

The NAO provisions were briefly scrutinised during the [last, fourth, sitting](#). The Opposition did not propose specific amendments, but preferred to concentrate on general debate. Chris Leslie sketched out the history of the governance changes and queried the length of term being proposed for the Comptroller and Auditor General (C&AG), which is a single ten year term.⁴⁶ Ms Greening introduced the main provisions of Part 2 and referred to international examples of the use of fixed terms for auditor generals.⁴⁷

4.1 Pay and employment arrangements for the C&AG

Mr Leslie asked during the general debate on clause 13 about the decision to set the salary for the C&AG. Ms Greening explained the decision to award Amyas Morse a salary of £210,000 to be updated each year in line with the consolidated pay increase of the senior civil service. Consolidated pay has been frozen for two years.⁴⁸

On the general debate on clause 15, Chris Leslie asked about the two year post employment period under which the former C&AG would be banned from taking employment with a body whose accounts were liable to audited by the NAO. Justine Greening said that a longer ban of five years would deter younger candidates.

4.2 Provision of services by NAO

Mr Leslie asked for clarification of the power in clause 16 for the NAO to provide services. Ms Greening confirmed that the intention was not to use the power in respect of work currently carried out by the Audit Commission, but to allow the work which the NAO did for developing states and for select committees to continue.⁴⁹

4.3 Corporate governance of the NAO

Chris Leslie articulated the concerns of Professor David Heald and Baroness Noakes that the corporate governance reforms might prove cumbersome and asked for details of the total cost of the change. He also asked why the non executives in the NAO Board were also be appointed by the Public Accounts Committee. Finally he wanted to know why there was no mention of severance or compensation provisions in this part of the Bill compared with Part 1 and the OBR. Ms Greening promised to write to him on these points, noting that the non executive difference was accounted for because the C&AG was an Officer of Parliament. She also added that the Public Accounts Commission would have to hold accountable the C&AG and the NAO Chair and so there was an enhanced scrutiny role⁵⁰

Debate then moved to Schedule 3 which sets out the relationship between the NAO and the C&AG. Mr Leslie suggested that the relationship could be quite complex and wondered whether it was appropriate for the Schedule to contain provisions which appeared to prevent non-execs from making public comment. Ms Greening defended the provision as requiring professionalism for the non execs in that their comments should be made in NAO meetings.⁵¹ She said that the NAO was bound to have a role in monitoring the C&AG as this was part and parcel of its role in providing the C&AG with advice and support.

⁴⁶ PBC Deb 3 March 2011 c121

⁴⁷ PBC Deb 3 March 2011 c123

⁴⁸ PBC Deb 3 March 2011 c125

⁴⁹ PBC Deb 3 March 2011 c129

⁵⁰ PBC Deb 3 March 2011 c130-131

⁵¹ PBC Deb 3 March 2011 c133

4.4 Privilege amendment

Justine Greening moved the only amendment made to the Bill during the Public Bill Committee stage. This was to remove subsection 2 of clause 31. Which removed the privilege amendment added by the House of Lords. When a Bill begins its passage in the Lords, as with this Bill, a privilege amendment is inserted at its final printing. She explained the procedure as follows:

By claiming that nothing in the Lords' Bills imposes a charge on the public funds or on the people, the amendment preserves the financial privilege of the Commons to authorise such charges. Once a money resolution has been passed by the Commons to authorise a charge on public funds, which for this Bill took place after Second Reading in the Commons, the privilege amendment is routinely removed by the Commons at the first opportunity, having served its purpose, in other words when the Bill is in Committee.⁵²

The Committee rose at 2.40pm.

⁵² PBC Deb 3 March 2011 c134

Appendix: Members of the Public Bill Committee

Docherty, Thomas (*Dunfermline and West Fife*) (Lab)

Gilmore, Sheila (*Edinburgh East*) (Lab)

Goodwill, Mr Robert (*Scarborough and Whitby*) (Con)

Greening, Justine *Putney, Roehampton and Southfields* (Con) Economic Secretary to the Treasury

Hames, Duncan (*Chippenham*) (LD)

Jones, Graham (*Hyndburn*) (Lab)

Leslie, Chris (*Nottingham East*) (Lab/Co-op) Shadow Financial Secretary

McCarthy, Kerry (*Bristol East*) (Lab) Shadow Junior Treasury Minister

McGovern, Alison (*Wirral South*) (Lab)

Morrice, Graeme (*Livingston*) (Lab)

Morris, Anne Marie (*Newton Abbot*) (Con)

Nuttall, Mr David (*Bury North*) (Con)

Patel, Priti (*Witham*) (Con)

Shelbrooke, Alec (*Elmet and Rothwell*) (Con)

Smith, Julian (*Skipton and Ripon*) (Con)

Truss, Elizabeth (*South West Norfolk*) (Con)

Williams, Stephen (*Bristol West*) (LD)

Wilson, Sammy (*East Antrim*) (DUP)

The Committee was chaired jointly by Roger Gale and Dr William McCrea.