The Financial Secretary to the Treasury (Mr Mark Hoban): I beg to move,


The motion seeks the authority of the House to implement changes to the structure and content of the Supply estimates that set out departmental spending plans and are subject to approval by the House. These changes stem from work that began under the previous Government, and which has enjoyed cross-party support throughout. The aim of the changes is to provide a simpler and more effective system of public spending control.

As hon. Members will remember, the previous Government announced in the Green Paper, "The Governance of Britain", in June 2007 that they would simplify the spending control framework and the Government's financial reporting to Parliament further to enhance consistency and transparency at all stages of the process-budgetary spending plans, parliamentary Supply estimates and expenditure outcomes in resource accounts. That will lead to the following: a simpler and more transparent system, making it easier for Parliament to understand and challenge Departments; a strengthening of the existing budgeting framework by underpinning it with parliamentary control; and the streamlining of Government spending documents, making it easier to understand what is happening with public money.

Government's and Parliament's control and scrutiny of public spending is currently managed against four different frameworks. First, there are the national accounts, an integrated set of economic accounts covering the whole of the economy. Those accounts are produced by the Office for National Statistics in accordance with the European system of accounts 1995. National accounts are used to determine fiscal performance. Secondly, there are budgets, which are defined by the Treasury and used to control public spending. Budgets are allocated by the Treasury in spending reviews and reported on to Parliament at successive pre-Budget reports and Budgets. Certain elements of budgets are aligned to national accounts definitions. Others, such as those introduced with the move to full resource accounting and budgeting in 2003-04, relate to commercial-style accounting concepts and are designed to improve value-for-money incentives in Departments.

Thirdly, there are Supply estimates, which seek annual parliamentary authority for the expenditure of individual Departments following the plans set out in spending reviews. Estimates are largely, if not entirely, aligned to generally accepted accounting practice-GAAP-accounting definitions, rather than to national accounts, although they do not encompass all of the departmental expenditure and income that would be accounted for under GAAP. There are significant differences between estimates and budgets: about a third of departmental spending in budgets is not included in estimates, and about a sixth of what is
included in estimates is not in budgets. Fourthly, there are resource accounts, which report Departments' actual spending during a particular financial year, following GAAP, as adapted for the public sector. That means that there are some substantial differences compared with budgets and national accounts.

Those four frameworks have developed in different ways over the years for good reasons, since they serve different purposes. However, the result is significant misalignment between the different frameworks, with only two thirds of Government expenditure fully aligned across budgets, estimates and resource accounts.

Current misalignments can broadly be broken down into two categories. First, there are differences in the various boundaries—the entities and spending included in budgets, estimates and accounts. Those cover both different types of income and expenditure within the budgets and the different treatment of entities within respective boundaries. For example, the spending of non-departmental public bodies scores in budgets, but the grant-in-aid paid to those bodies scores in estimates and resource accounts, not their total spending. Secondly, there are differences in the policies. Specific transactions are often treated differently between the three frameworks. Examples include capital grants, provisions and other non-cash items within budgets.

At present, there are significant differences between the ways in which the three main elements of the public spending control framework define and treat expenditure. Those three elements are: departmental budgets as set by the Treasury; departmental Supply estimates as authorised by this House; and departmental resource accounts presented to this House after the year-end. To give just one of many potential examples, departmental estimates and accounts currently include only the spending of the relevant Government Department, whereas budgets also include the expenditure of any non-departmental public body for which the Department is responsible. This means that Departments have different controls against which to manage, and that it is very difficult to track spending from plans through to out-turn. That, in turn, limits the scope for effective parliamentary scrutiny and adds to the complexity of managing public money; it also requires time and effort to reconcile the frameworks.

The principal aims of the proposed changes are therefore to increase the transparency of public spending information; to improve accountability to this House and to the wider public; to make it easier for Government Departments and other public bodies to understand the controls to which they are working; and to provide a more efficient control framework that builds in the right incentives to deliver better value for money.

As I have said, the different frameworks have developed in different ways over the years, and for a range of reasons. For example, international standards have helped determine the definitions of expenditure currently applied within both accounts and budgets, with budgetary definitions being determined by Government but supporting internationally recognised fiscal definitions, and accounting policies reflecting international financial reporting standards adapted for the public sector context. Some misalignments between those frameworks will inevitably remain. What matters most is that they occur only where there is good reason, and that they are properly understood and kept to a minimum.

Budgets and estimates will be fully aligned under the new framework. The remaining misalignments will be with resource accounts—amounting to about £22 billion—where enforcing alignment would be contrary to the principles of the alignment project. By far the
largest example, amounting to £19 billion, is the treatment of capital grants paid by Departments to the private sector, local authorities and public corporations. That is because capital grants are treated as resource spending in departmental accounts, reflecting international financial reporting standards, but as capital spending in budgets, reflecting national accounts treatment. As hon. Members will recognise, this is not a straightforward area.

Nevertheless, there is much improvement that can be made while adhering to these standards, and the alignment project represents an excellent opportunity to achieve greater consistency between the different frameworks. The main changes designed to achieve the aims of alignment are the extension of the departmental estimates and accounting boundaries to accommodate non-departmental public bodies and other bodies classified to the central Government sector, bringing their expenditure within the coverage of estimates presented to Parliament for approval. The power to do that, through a Treasury Order listing the bodies to be consolidated into estimates and accounts, was provided in part 5 of the Constitutional Reform and Governance Act 2010.

It is worth spending a couple of minutes reflecting on the different nature of non-departmental public bodies, which vary enormously in size and in the functions they carry out. Consolidation will include bodies that spend very large amounts of public money, such as the Environment Agency and the Legal Services Commission, which will be consolidated within the estimate and accounts of, respectively, the Department for Environment, Food and Rural Affairs, and the Ministry of Justice. Both those bodies spend over £1 billion per annum. Some of these bodies are charities—the national museums and galleries, for example—and others have statutory independence, so it is important that we create alignment in a way that neither constrains their freedom to act nor puts their status at risk. The provisions of the 2010 Act, approved by this House earlier this year, include protection for that independence, so that we can combine operational freedom with financial accountability.

Mr Edward Leigh (Gainsborough) (Con): Does my hon. Friend recall that in 2007, the Treasury Committee acknowledged

"that the requirements of the alignment project mean that it is not possible for Parliament to maintain control over gross totals. We are concerned that without adequate levels of information regarding income, Parliament's authority may be diminished."

How can the Minister reassure Parliament that our authority over Supply will not be diminished in any way following alignment?

Mr Hoban: My hon. Friend makes an important point and I will come later to the treatment of income in the clear line of sight project, to address in particular the issue he raises.

Margaret Hodge (Barking) (Lab): May I ask a number of questions on the non-departmental bodies with which the hon. Gentleman was dealing? First, when will they be incorporated into the estimates? Secondly, how will NDPBs that get some of their grant funding from a number of Departments be dealt with in the estimates? The third, and contentious, issue is NDPBs that may have reserves of moneys raised outside of Government, and which want the freedom to spend those moneys in ways appropriate to their governing bodies.
Mr Hoban: The right hon. Lady raises some interesting points. On her first point, my understanding is that this provision will come into force for the financial year 2011-12. On her third point, we of course want to make sure that NDPBs still have the freedom to act, and we have said that they will-they will have the independence they had prior to this process. That issue was, I think, taken into account in drafting the 2010 Act, which the right hon. Lady will have supported as a member of the then Government. So those controls are in place.

Margaret Hodge: On my second point, the freedom of NDPBs to spend reserves from moneys they themselves have raised was not dealt with under the 2010 Act, which I did indeed support. As a member of the then Government, I pursued that issue and did not get to a good end. I hope that the Minister will undertake to look at it, in order to give those NDPBs their freedom.

Mr Hoban: We will look at it, but incorporating NDPBs into the clear line of sight project so that their results are reported in estimates and departmental annual accounts is something that should be done, and the principle underlying these reforms is to do it in a way that does not compromise their status.

Mr Gareth Thomas (Harrow West) (Lab/Co-op): While the hon. Gentleman is on the subject of NDPBs, can he clarify now for the House the future of the Tenant Services Authority, about which there has been some speculation in the media? Apparently, the Housing Minister described it as "toast", and the Financial Times has speculated that the Chief Secretary overruled the Housing Minister.

Mr Hoban: I am sure you would rule me out of order, Mr Deputy Speaker, if I started responding to questions as detailed as that.

Mr Thomas: Will the hon. Gentleman give way again?

Mr Hoban: No, I want to make some more progress. A number of Members on both sides of the House wish to participate in this debate, and I am conscious that there is also private business after this.

I want to talk now about the next stage of the alignment process: the coverage of estimates and budgets by including all non-voted budgetary expenditure and income in the estimates presented to Parliament. Parliament will not be asked to approve this spending as it will already have separate legislative authority, but Members will see the full picture of departmental budgetary expenditure. For example, spending financed from the national insurance fund will now be included in the accounts and the estimates, even though it does not have to be voted on annually. Going back to the point raised by my hon. Friend the Member for Gainsborough (Mr Leigh), we will align the treatment of income in estimates with budgetary controls. Income will be retained by the Department, provided it is of a type allowed to be netted off budgets and included in the description of income in estimates. To this end, a new description of all relevant categories of income will be included in estimates and replicated in Supply legislation. That will ensure that such information is disclosed in the estimates, and those bodies will therefore be accountable for those sums.

We will simplify the presentation of expenditure information by fully aligning budgets and estimates, reducing remaining differences with accounts to those that are absolutely
necessary, and providing clear reconciliations between any necessary misalignments that remain.

**Mr Leigh:** Let us get this absolutely clear. Although the Treasury originally said that there might be a problem with this information coming to Parliament, the Financial Secretary is going to make sure that it is fully available because he appreciates that this is an incredibly complicated and difficult matter for Members of Parliament to come to grips with. There is no point in having an alignment project if less information ends up coming to Parliament and the situation is less clear than it was before. I think that my hon. Friend has given us the necessary reassurance, but I wish to press him, so that there is no doubt that we will get just as much information as we have always had.

**Mr Hoban:** My understanding is that that is the case. What we will also be able to do—this deals with something that frustrated me when I first came into the House—is track information from budgets set by the Treasury to estimates and to the out-turns. That consistency of information will help Members of this House to hold the Government to account on how public money is being spent.

These changes have been the subject of constructive cross-party consultation over the past three years. During the previous Parliament, the then Chief Secretary to the Treasury submitted three memorandums on alignment to the Chairmen of the Treasury Committee, the Public Accounts Committee and the Liaison Committee, in November 2008, March 2009 and February 2010. The March 2009 memorandum contained detailed proposals for achieving alignment and was published as a Command Paper. All the Committees indicated their support for the proposed changes, and the Liaison Committee took the lead in providing detailed responses. I am grateful to that Committee for its engagement with, and support for, the alignment proposals throughout. The Committee noted in its report on financial scrutiny published in April 2008 that the alignment project was "potentially an historic development". I fully endorse that view.

The Liaison Committee published a further report in July 2009, which was, again, strongly supportive of the proposed changes. It also made reference to wider issues related to the parliamentary scrutiny of public spending, including the number of days available for debates on the estimates and the outcome of spending reviews, and the scope of such debates. This Government's establishment of the Backbench Business Committee represents a significant step forward in this area. That Committee has at its disposal 35 days in each Session, some of which are taken in Westminster Hall, to schedule debates on subjects of its choosing, including the scrutiny of public spending.

This Government are fully committed to enhancing transparency in public spending and supporting effective scrutiny by this House. We have already published data held on the Treasury's public spending database going back to 2005-06. Further measures are being taken that will see details of all new spending of more than £25,000 published from November 2010.

**Mr Thomas rose**-

**Mr Hoban:** I am sure that the hon. Gentleman will wish to welcome that.
Mr Thomas: The Financial Secretary rightly made reference to the support of the Liaison Committee and to the work of the Backbench Business Committee. However, the Liaison Committee also made it clear that the Government should give an undertaking to provide a day's debate on the outcome of each spending review and on each year's pre-Budget report. Can he confirm that it is the Government's intention to do that from now?

Mr Hoban: Clearly, the Liaison Committee's recommendations preceded the decision by this Government to set up the Backbench Business Committee. The Backbench Business Committee has the power to use one of the 35 days available to it to deal with the issues proposed by the Liaison Committee, and that is the right way to proceed. It is right to give the House a power to engage in that degree of scrutiny.

The House is today being asked to approve formally changes that will further support the move towards greater openness and transparency, and make effective scrutiny of spending plans by this House far easier to achieve. An explanatory note outlining the purpose of the alignment project has been made available in the Vote Office. With the authority of this House, these changes will be implemented for the financial year 2011-12, and I commend this motion to the House.

6.54 pm

Mr Gareth Thomas (Harrow West) (Lab/Co-op): I, too, welcome this opportunity to debate the clear line of sight project. What happened this weekend will have dispelled any last remaining doubts about the need for more clarity, transparency and scrutiny of the Government's plans for public spending. The measures that we are debating will help to make that process a little easier.

As the Financial Secretary said, this project to align better the measures of Government spending was initiated by the previous Government and was strongly supported by many of the Committees of the House. I should, at the outset, acknowledge the important contributions made by the Hansard Society—its contribution went back as far as 2006—the National Audit Office, and, of course, the Treasury Committee, the Public Accounts Committee and the Liaison Committee in championing these reforms.

The Financial Secretary alluded to the fact that in our June 2007 Green Paper, "The Governance of Britain", we announced the establishment of the clear line of sight project. In a memo in November 2008, we published the first broad ideas, which were then developed into a clearer set of proposals published in March 2009. These ideas set out to do the following: first, to modernise the

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public spending process to make it more transparent and easier for parliamentary scrutiny purposes and, therefore, to make the Government more accountable; secondly, to make the public finances easier to understand by reforming the way in which the Government publish financial information; and, thirdly, to create greater incentives for value for money by improving the way public spending is managed.

In short, the project was designed to resolve the basic problem that Treasury budgets, which are announced in spending reviews and published in the departmental annual reports, estimates laid before Parliament and resource accounts each currently measure and report expenditure in different ways. That inevitably makes it difficult to compare figures, thus
creating, on occasion, confusion and a lack of understanding. Given the Budget that we have just seen, with the scale of impact on the poorest, this has never been more necessary to resolve.

In March 2009, we set out a series of specific proposals in a Command Paper proposing key changes. The first was that the estimates presented to Parliament would be organised, so that when Parliament voted on them it was voting on the same totals as the Treasury would be using to control Government spending— as the Financial Secretary has said, that is particularly significant for non-departmental public bodies. The second was that parliamentary controls over expenditure would be on a net basis, rather than on a gross and net basis. The third was that Parliament would actually approve the capital spending plans of Departments, rather than just be made aware of them. Other proposals were that there would also be changes to the format of the estimates to help simplify them further, and that financial publications would be rationalised to three annual publication events.

The March 2009 proposals had identified misalignments between budgets, estimates and resource accounts of almost £500 billion from the 2008-09 departmental resource spending plans. The extent of misalignment after today's proposed changes would have reduced to approximately £22 billion—that is a very significant and substantial improvement. Nevertheless, I hope that the Financial Secretary will undertake to keep under close scrutiny, in partnership with Parliament, the scope for any further reductions in this level of misalignment.

We demonstrated our further commitment to this project by taking forward within the Constitutional Reform and Governance Act 2010 the one aspect of these proposals that required a change to legislation. That proposal—the consolidation of non-departmental public bodies within department resource accounts—was included within the Act and passed in the wash-up period before the general election. I welcome the fact that the explanatory note that the Financial Secretary has put in the Table Office gives some indication of the timetable for introducing the order that will list the bodies to be consolidated into the estimates and accounts—that relates to part of the point raised by my right hon. Friend the Member for Barking (Margaret Hodge). However, I would welcome his including in his winding-up speech an explanation for the somewhat lengthy time lag between the primary and secondary stages of this particular process.

In the previous Government's original proposals of March 2009, we said that we wished

"to develop, over time, a set of 'mid-year' departmental reports giving a provisional view of spend and performance for each department during the current financial year".

The Liaison Committee strongly supported that proposal, so will the Financial Secretary explain how he sees the Treasury developing that particular part of the March 2009 proposals?

Perhaps, the Financial Secretary could also set out how the proposals might impact on some of the new bodies that he and his Department have announced. The Office for Budget Responsibility has not had the best of starts, with its independence being questioned and its statistical analysis set for early scrutiny. At the moment, the OBR sits within the comfortable embrace of the Treasury and I wonder whether the Financial Secretary can explain to the
House whether he has plans to establish the OBR as a non-departmental public body. I ask because, if that were to be so established, under these proposals the House would be able more clearly to see what the OBR was costing and on what it was spending its money. The House would be more able to make a clearer assessment of whether the OBR's communications and economic analysis were genuinely independent of the Treasury. If he does not plan to establish the OBR as a non-departmental public body, perhaps he can explain how he plans to offer the House the same level of scrutiny over the OBR's spending and therefore help the House to assess how independent of the Chancellor and his spin doctors the OBR is?

Perhaps the Minister, too, can set out how these proposals will impact on the independent Equitable Life commission that he plans to establish. Again, will he establish this commission as a non-departmental public body? I ask this without prejudice.

Nadhim Zahawi (Stratford-on-Avon) (Con): I am slightly puzzled by the shadow Minister's speech, because it sounds like a debate for tomorrow.

Mr Thomas: With all due respect to the hon. Gentleman, if he had done some research into what these proposals are about, he would understand the significance of including non-departmental public bodies in the estimates and accounts and would therefore understand the advantages for the House of these proposals.

If the Equitable Life commission that the Government plan to establish were to be set up as a non-departmental public body, the House could assess how much the Government were spending on the administration of the commission as well as on the payments of the scheme. The House could therefore potentially understand more easily how the functions of the commission, which, incidentally, are yet to be made clear, were being implemented. If the Financial Secretary and his colleagues do not intend to set the commission up as a non-departmental public body, will he tell the House how it will be able to scrutinise how the commission is funded and what it spends its money on?

Similarly, the Financial Secretary's proposals, announced in this House, for a consumer protection and markets authority and a new economic crime agency have not so far been subject to any scrutiny other than that given to the original statement to the House. Under the alignment project proposals, the House could scrutinise more effectively their spending plans and compare them to their predecessors in that regard if they were established as non-departmental public bodies. If he does not propose to establish these two bodies as non-departmental public bodies, will he explain how Parliament will be able to approve their spending plans and scrutinise their accounts? Again, I ask that without prejudice.

One of the real concerns about the Minister's proposals was the loss of energy within regulatory agencies as individual staff focused, inevitably, on their own futures. The Minister still needs to explain how such a loss of energy in regulatory oversight is being prevented. Will he recognise today that clarity on the status, budgets and ultimately expenditure levels for the new bodies will be fundamental in giving the House confidence in the ability or not of these agencies to do the job that the coalition plans for them?

I welcome this further opportunity to confirm support for the sensible changes that the last Government created under the alignment project, which have taken place after considerable
useful debate, but I look forward to the Financial Secretary giving some more clarity on the questions that I have asked.

7.4 pm

Mr Andrew Tyrie (Chichester) (Con): The hon. Member for Harrow West (Mr Thomas) strayed rather a long way out of the line of sight of the line of sight project, if I may say so. His points about the importance of the Office for Budget Responsibility are well made and well taken, and that is something that I hope my Committee will consider and something that I am not yet convinced we have achieved. However, I think that that is a debate for another day.

These proposals will significantly improve parliamentary scrutiny of spending. The previous Labour Government deserve a lot of credit for having put this work in train, just as the coalition Government deserve some credit for acting on what they inherited. I also want to pay tribute to the Liaison Committee and its staff and, in particular, to the work of the Treasury Sub-Committee under the chairmanship of my hon. Friend the Member for Sevenoaks (Michael Fallon). He put in a great deal of hard work on all this, some of which is now bearing fruit. I understand that he intends to catch your eye in a moment, Mr Deputy Speaker, and he will no doubt make these points in more detail. However, in the 2007 report he expressed a number of concerns, and two main concerns in particular. One was about the timetabling of publications and the other was about the treatment of income lines in the estimates. On the first, the Government have proposed to publish their departmental reports and accounts by mid-June of each year and to publish the main estimates earlier. That is a step forward. On income streams, the Government’s original proposal—this has been mentioned—was that the House of Commons would vote only on the net estimate. That would have been a step back from the current arrangements whereby Parliament at least votes on both the gross and net figures.

The Treasury Sub-Committee, when considering this matter, acknowledged that with alignment it would not be possible for Parliament to maintain controls over gross totals, but it argued strongly that adequate information should none the less be provided. That is the point that my hon. Friend the Member for Gainsborough (Mr Leigh) made a moment ago.

On the question of income streams, I think that the Government’s latest plans are a great step forward. Let me explain why. If I get this wrong, the Minister can intervene and tell me. As I understand it, under his proposals any income used by Departments to support spending must be of a type specifically approved by Parliament. That is the first key point, of which there are four. The second is that tax receipts cannot be used as income by Departments to boost spending. In other words, the tax receipts must still go to the Treasury in the normal way. The third is that information on estimated income will still be presented to Parliament and the fourth is that Departments will still be required to explain variations between planned income and actual income at the year end. The Minister has not intervened on me yet, so I have high hopes that I have got that right. If I have, the Government have gone a long way towards satisfying the concerns of the Sub-Committee’s report of the previous Parliament.

This is a complex area with a lot of unknowns still as we develop these changes. We must be realistic about what is achievable and we must be clear that there was no golden age when Government estimates were routinely rejected or reduced. The House of Commons
abandoned any attempt to debate estimates in that sort of detail not in the post-war era, as many people suppose, but sometime in the 19th century.

I am also clear that great care needs to be taken before pressing for dramatic increases in powers for Parliament in this area as they can have unforeseen consequences. It is certainly worth considering, for example, ensuring that supplementary estimates are approved by the relevant Sub-Committee, but I am wary of anything that could create the conditions for the growth of a pork barrel style of politics in Britain through the back door. I have been an advocate of stronger Select Committees for many years and we have a lot to learn from our counterparts in Congress, but I do not think that we have much to learn by importing pork barrel politics.

Mr Leigh: Will my hon. Friend give way?

Mr Tyrie: If my hon. Friend will forgive me, I am near the end of my remarks and I would rather get to the end because I have discovered-surprisingly on this subject-that quite a few people want to speak.

We will have to see whether the proposals provide better opportunities for the Select Committees that shadow spending Departments and we will soon see whether they can start to scrutinise better the spending decisions taken by them. We will have to wait to find out whether these Committees take up those opportunities-that includes the Treasury Committee, which also monitors spending Departments.

I warmly welcome these proposals from the Government. We now need to monitor them carefully.

7.9 pm

Margaret Hodge (Barking) (Lab): I join others in warmly welcoming the moves that are being taken to simplify and align the reporting mechanisms to Parliament and to make better sense of the arrangements for budgets, estimates and the accounts. I also pay tribute to all those hon. Members who played a part in ensuring that we reached this point. This is the first opportunity that I have had in the House to acknowledge the contribution of the hon. Member for Gainsborough (Mr Leigh) when he held the position that I now hold. Throughout his entire tenure of that office, he did a brilliant job of ensuring proper accountability for Government expenditure, and I know that he also played a part in developing these particular proposals. My grateful thanks go to him.

The proposals are being put forward at a particularly important time for Parliament. As we go through a period of financial constraint and cuts in public services, it is hugely important that the decisions taken by the Government are properly accounted for to Parliament. If the new arrangements make it easier for Parliament, either through its Select Committees or through debates in the House, to ensure that the Government are better held to account, we will all welcome that. This is a particularly important period, in which real value for money for every taxpayer's pound spent is of paramount importance to members of the public.

Better, more consistent figures are one part of the story, but I would like to raise two further issues. First, we need proper time in which to debate the issues that will come out of the special financial accountability to Parliament, and I hope that Ministers will not always
designate the days that are controlled by the Back-Bench Committees as those on which we can debate them. These matters are of enormous importance to Members, and should not be contained within those 35 days. I ask the Minister to ensure that the Government will make time available for the proper debate of pre-Budget reports, the spending review and Select Committee reports on expenditure.

My second point is that we all need proper time to carry out financial scrutiny of the figures for the public, whether in the form of estimates, budget estimates or accounts. I hope that Parliament will be given appropriate time to do that, to ensure that accountability.

In generally welcoming these measures, I want to ask the Minister a couple of questions. First, if we are to be able to exercise effective public scrutiny, we shall need timely presentations of the estimates as close as possible to the Budget or to the start of the financial year. What precise undertaking can he give us on when the estimates will be presented to Parliament?

My second question is on supplementary estimates. In the report produced by the Liaison Committee, there was a suggestion that we would strive to-[ Interruption. ] Is that ringtone an attempt to cheer up my contribution? There was a suggestion that we would strive to reduce the number of times that it was necessary for us to consider supplementary estimates. Has any advance been made on that matter, and on the Liaison Committee's recommendation that supplementary estimates should come before the House only once a year? I also agree with my hon. Friend the Member for Harrow West (Mr Thomas) that it would be helpful to know what progress has been made on the development of mid-year reports on spending and performance, with an update on the provisional allocations for next year. When can we look forward to those being introduced?

I warmly welcome the Government's decision to publish online all expenditure over £25,000, but will the Minister tell us what steps he is taking to calculate the administrative costs and bureaucratic burden of that new measure of accountability? As well as putting that information on the website, will he also ensure that it is placed in the Library, so that all Members of the House may have easy access to it? With that, I join others in noting that there is agreement across the House on these proposals, and I look forward to their early implementation.

7.15 pm

John Hemming (Birmingham, Yardley) (LD): May I start by apologising to the House for my mobile phone ringing just now? It was definitely switched off a while ago. When I was on Birmingham city council, we used to have a policy where, if that happened, we had to give money to the lord mayor's charity. Perhaps the Speaker's charity should receive a small payment in this instance.

My experience on Birmingham city council gave me a good understanding of how to control public spending. In moving towards a system with a clear line of sight, all our budgets are set out so that what has been agreed matches what is being recorded. If Parliament decides that that is in fact slightly misaligned, and that we are not spending what we expected to spend, we will need to be aware of the effect that that will have at the other end of the cycle.
We had that experience with the neighbourhood renewal fund in Birmingham. The Government had strict rules on how much money should be spent in each financial year. It was a new system, and if we had not found enough useful projects to spend the money on as we got close to the end of the financial year, there would be a "dash for trash" as we tried to find something to spend it on, so that the Government would not take it away in the next year. It is right to improve the way in which we record these things, but we must ensure that we do it in a way that does not cause those people who are managing the budgets to go for a "dash for trash" at the end of the financial year, just to ensure they fulfil their budgets. Obviously, if we are recording depreciation properly, that will not vary; only the cash issues will be affected.

There are two aspects to accountability. The first involves the authority to spend public money. The second involves finding out whether the expenditure represents value for money. We need to look beyond the system of departmental accounting. Colleagues will know that I am greatly concerned about the child protection system, which is horrendously complex from a financial perspective. When a child is taken into care, the foster carer can cost about £40,000 a year. Further costs can include the parent's lawyer, which can cost about £25,000 in legal aid. The other parent's lawyer could cost a further £25,000 in legal aid, and expert fees might have to be paid by the Children and Family Court Advisory and Support Service, a separate non-departmental public body.

All those different charges might apply, but, when an assessment of the cost effectiveness of the process is carried out, they might not all be taken into account. When it comes to parliamentary scrutiny here, the Justice Committee will look into the legal aid costs, the Education Committee will look into the foster care costs, and so on. They might not all be put together in a way that leads us to make the right decisions, however. I have encountered many situations, for instance, in which access to a mother and baby unit has been refused on the ground of cost, although such access would have kept mother and baby together for life. The lifetime cost of that not happening is about £250,000 per child, and it could well have been a false economy to save the £6,000 cost of the mother and baby unit in the first place.

When we are considering value for money as part of the accountability programme, we need to find mechanisms to look at project costs on a value-for-money basis. Similar situations occur with capital projects. We are very pleased that the work on New Street station is going ahead, for example, but that is funded out of a number of different pots, and we are not sure what is coming from which pot. Some might be coming from the city council, some from the regional development association, and some from the Department for Transport. That uncertainty makes it difficult, from the perspective of parliamentary scrutiny, to find out what is happening. Trying to compare figures from project to project is also very difficult, because these things are so complex.

We have a similar problem with the funding costs of private finance initiatives. The great difficulty is comparing all the figures involved in what is called optimism bias. I asked the Government what the optimism bias figures were for a number of different PFI projects, and they came back with a wide range of figures. Let me explain a bit about optimism bias, for those hon. Members who are not aware of it. When a PFI project is put together, there is an assumption that, if it could be done through the public sector, it would be done in the most cost-effective way. A calculation is made of what the public sector project would have cost, but an optimism bias is then added to
it, on the assumption that the public sector calculation is optimistic and therefore too low. That is then compared to a PFI cost without an optimism bias.

The interesting thing is that people are told to pick their own optimism bias, and if the optimism bias is such that undertaking the project through the public sector is cheaper, they must do it through the public sector, but there is no money for that so it will not go ahead. Inevitably, people pick an optimism bias figure that means that the PFI looks cheaper, when it is not. Such things have been going on substantially around the country. Although the clear line of sight project is a positive move, we need to go further.

Other hon. Members wish to speak. I could go on at great length about financial control, having dealt with it at the city council level and in various private sector businesses, as well as in this place, but to be fair to others, I shall conclude.

7.20 pm

Mr Edward Leigh (Gainsborough) (Con): Thank you, Mr Deputy Speaker, for calling me in this important debate.

The effective monitoring of Government expenditure and the exercise of control over it by the House of Commons is crucial to why we are here at all, but over the centuries it has become virtually impossible for ordinary Members of Parliament to understand what is going on. It is like the classic Schleswig-Holstein question—only three people understand it, and one of them is mad and one is dead. It is so complicated and so difficult.

That is why I was happy to attempt to serve on the Liaison Committee in the last Parliament with Michael Jack, who was the Chairman of the Environment, Food and Rural Affairs Committee and John McFall, who was the Chairman of the Treasury Committee. We tried to get our own heads around the subject, and it made our heads hurt to try and understand what was going on. I hope that some of the comments in our Liaison Committee report have found their way back into what the Government are trying to do—indeed, I know they have, because the previous Government replied to our report. There is nothing partisan about this. Both sides of the House are agreed that the present system is broken and we must do something about it.

As we made clear in our report, the present arrangements present obstacles to sensible and informed scrutiny of public expenditure. It is extraordinary that we have estimates days, but we never discuss estimates. When I tried to interest the Liaison Committee in this work in the last Parliament, there was a collective groan from the Chairmen of the other Select Committees. They said that their people were interested in policy not money, but money is all-important. Policy flows from money. How extraordinary that after centuries of accumulation, like barnacles on the ship of state, we never discuss the Budget in detail.

The Budget process is a farce—not the Budget statement, although in previous years, as we know, much of it was hidden in the Red Book. In the Finance Committee— the Committee that considers the Budget—there is only a matter of seconds available to consider each amendment. Scores of amendments are tabled, the Government swat them all away, and there is no proper debate, and the estimates days do not deal with estimates.
My hon. Friend the Member for Chichester (Mr Tyrie) spoke about the American process, which works. The Office of Budget, a presidential body, proposes a budget. The President may propose, but Congress disposes. In our system, the Chancellor and the Prime Minister propose, and the Chancellor and the Prime Minister dispose. Parliament has very little effect on the process.

In America, there are hundreds of hours of meetings on the budget process. I know that my hon. Friend mentioned pork barrel politics. That is a regrettable aspect of the process but it is often much exaggerated. Recently, Senator Byrd died at the grand old age of 90. I might still be here at the age of 90, boring the House with these matters. We know that Senator Byrd showered largesse on West Virginia, whereas it is impossible for me to give a single penny to Gainsborough, or in the case of my hon. Friend, to Chichester, but surely there is a sensible halfway house, so to speak, whereby the House can receive reasonable, sensible information, we can know what is going on, we can have estimates days that discuss the estimates, and we can make a difference.

That is why I suggested in the last Parliament that there should be a triple lock on the scrutiny process. The right hon. Member for Barking (Margaret Hodge), the present Chairman of the Public Accounts Committee, has already spoken in the debate. We have a superb post-audit system in the UK, perhaps one of the best in the world. Although we have one of the best audit systems in the world-actual audit systems through the National Audit Office, and parliamentary audit through the Public Accounts Committee-we have one of the weakest Budget processes. When the Hansard Society produced a report before the Liaison Committee examined the matter in the last Parliament, in terms of effective parliamentary scrutiny we were at the bottom of the heap, together with New Zealand, ranked lower than any other democratic Parliament in the world, bar none. Such was the weakness of our parliamentary control.

What I suggested was a triple lock. We already have, as I say, a good audit system. Is it not surprising that it is so difficult to interest the other Select Committees in money? On education, for example, we had an hour and a half on a statement today with people battling over policy, yet it is difficult to get the Education Committee to get to grips with the education budget, from which those policies derive.

I think we need a specialised Budget committee, which will be a Select Committee of the House and have a permanent membership, like other Select Committees. When, under the alignment project, the Government bring forward various proposals, there would have to be a trigger mechanism when any Department sought to increase its budget by a certain amount. That could trigger a potential inquiry by the Budget committee, which would have to be resourced by the scrutiny unit of the House and by the National Audit Office.

Thus we would have a particular committee, a kind of appropriations committee, which is the most powerful congressional committee. It would have to have real teeth, not just be a talking shop. I hope my hon. Friend the Member for Chichester will not mind my relaying our private conversation earlier. He said that once we gave such a power to any Select Committee, pork barrel politics would inevitably flow from it. There would have to be safeguards, a process and gradual reform, as we always have in the House. No Government will suddenly surrender to a Select Committee or to Select Committees of the House the kind of powers that congressional committees have, but surely there is no harm in our waving the flag, as parliamentarians, for greater parliamentary control.
We would have the PAC as a kind of audit system, and a Budget committee looking at the
Budget in detail in a way that the Finance Bill Committee cannot do. The third part of the
triple lock on wasteful spending in Government should be some kind of Star Chamber within
Government. The Treasury do a fantastic job, but when spending was increasing very rapidly
during the past 10 years, it was overwhelmed by the sheer volume of decisions pouring on to
officials' desks. It was perhaps too much of a paper-based exercise. Perhaps the Chief
Secretary could not get adequate control of it.

I believe that Ministers and their officials who were proposing the expenditure of large sums
of money should have to come before a Star Chamber to justify their proposals and to be
questioned in private and give honest answers. I have served on four Select Committees of
the House in more than 20 years. Do we ever have Ministers and officials giving entirely
honest answers to our Select Committees? No, because those are held in public and Ministers
and officials deal with questions by playing a dead bat. I am not denigrating the role of Select
Committees and I quite understand the game that Ministers and officials play in front of
them, but there has to be some equivalent process privately within Government, so that as
expenditure plans are being dreamed up, there is proper control and reform.

Such scrutiny will continue to be a dry subject which nobody understands or is interested in
unless the Government, in the alignment process, listen to what we were trying to say. We
said:

"To be properly effective improvements in presentation need to be accompanied also
by improved opportunities for Members-as individuals and through select committees
and front benches-to debate the figures (both in the form of the formal Estimates for
the current year and the spending plans for future years)."

That is absolutely vital.

We want a clear line of sight and to know in simple terms, whether from the Department for
Education or the Ministry of Defence, what they spent last year and plan to spend next year.
There would be a day in Parliament when we could debate it and vote on it, and that would
start to bring Parliament back into the process. In doing so, that would surely restore
Parliament to what it should be about: Members acting on behalf of their constituents to
control public money, so that very large sums of money are never again spent without
adequate controls. That is a great prize. For all the technicalities of our discussion, for all the
difficulties and for all the talk of "moving from cash to resource accounts", "the introduction
to Government budgets" and "the concept of departmental expenditure limits"-all those words
that, frankly, leave most Members cold-in the end, this is not a technical process. It is a
process of real parliamentary democracy, and is therefore to be warmly welcomed.

7.31 pm

Michael Fallon (Sevenoaks) (Con): It is a pleasure to follow my hon. Friend the Member
for Gainsborough (Mr Leigh), and all of us look forward to hearing from him in this Chamber
on his 90th birthday.

I, too, welcome warmly and, I hope, briefly the motion and the Government's early action on
the clear line of sight project. As my hon. Friend the Minister said, it has had a very long
gestation. We are being asked to take note of a document that is 16 months old, and of a
proposal that is at least three years old, and probably four years old. For all that, it is a welcome proposal, because it puts budgets, estimates and accounts on the same basis, and the Treasury Committee has long encouraged such a move. It is very good news to hear from the Government that the budgets will be aligned from this April, and I understand that the estimates will follow from April next year. I welcome that.

I have only three technical points and then a proposal. I hope that they are not too technical, but if they are I am happy for my hon. Friend to write to me. First, I understand that in budgets, public capital expenditure by private bodies is treated as capital expenditure, but that, when it comes to estimates and accounts, it is treated as recurrent expenditure. My hon. Friend proposes to remove the cost of capital charges from the accounts, but I am still not quite clear how the estimates and how Parliament will see the capital that private bodies expend on the public's behalf.

My hon. Friend the Member for Chichester (Mr Tyrie) has already discussed my second point at length, and I am grateful to him for his kind words. It is about the loss of control to which my hon. Friend the Member for Gainsborough referred in an intervention—between the gross and net income totals. We have to accept that there is some loss of control, but I hope that my hon. Friend the Minister will reassure us that what matters is the detail of the net income to be provided. For current expenditure, that might be fees for capital expenditure, receipts or whatever, but it is important that we have sufficient sight of the income totals, and I am sure that my hon. Friend will reassure me on that.

The hon. Member for Birmingham, Yardley (John Hemming) touched on my third point, which is about the treatment of private finance initiative contracts. I understand that, under international finance reporting standards rules, PFI contracts are now shown on the balance sheets of individual departmental accounts, but that they might not appear in the calculation of net debt in the new, whole of Government accounts. Therefore, I would be grateful if my hon. Friend the Minister could explain how he proposes to reconcile public sector net debt, which is calculated on the national accounts basis, with the same figure that appears in the departmental accounts using the IFRS standard. That will be especially important as the PFI process peaks.

As the proposals are adopted, and as the assessments are prepared on that basis next year, the ball returns to our court. Therefore, I shall touch on the suggestions that my hon. Friends the Members for Chichester and for Gainsborough made and, indeed, what the Minister and his shadow, the hon. Member for Harrow West (Mr Thomas), said. It is true that we will have the advantage of the Backbench Business Committee being able to allocate further days for debate, but they will be for debate only. What is unsatisfactory about the current process, particularly when it comes to the supplementary estimates, is that literally billions of pounds go through on three particular evenings a year after only a single debate or, perhaps, two debates about just two items of departmental expenditure, important though they are. Those huge sums flash through on three particular evenings.

We have the new Select Committee structure and the new Select Committees, which have been elected by the whole House, and I am therefore wary of the suggestion from my hon. Friend the Member for Gainsborough that we set up yet another Committee. I think that he was going to call it the Budget committee, but we have an awful lot of Committees, and given that we now have elected Select Committees I ask the House to think again about how we involve them more in the process under discussion. I fully take the objection to pork
barrel politics, which bedevils the United States Appropriations Committee that my hon. Friend seemed to like so much, and I should not suggest line-by-line amendment or, indeed, veto by a Select Committee. However, I should suggest that no supplementary estimate be presented to the House by any Minister unless it has first been approved by the relevant Select Committee. Nothing would transform the power of Select Committees more than my simple suggestion.

It would be up to the Department to establish a proper relationship with its Select Committee, and it would be up to the Secretary of State to plan his expenditure properly, knowing that if he went back to the Department with a huge supplementary estimate and wanted suddenly, mid-year, to transfer a vast sum from one end to another, he would have to explain himself to the Committee and win its approval. I do not suggest that the Committee should have the power to amend the proposal, simply that it should have to give its approval before that supplementary estimate is presented to the whole House. At a stroke, we would transform the relationship between the Executive and Parliament and give our Committees the power not simply to grandstand, ask questions and hurl abuse at witnesses, but to become more thoroughly involved with the work, planning and control over the money of the Departments that they scrutinise. The Committees would, therefore, become interested not simply in policy but in the huge sums that Departments spend. With that proposal, and my three technical comments, I warmly welcome the motion.

7.38 pm

Mr George Mudie (Leeds East) (Lab): I did not intend to speak in this debate, but I was enormously cheered by the contributions from the hon. Members for Chichester (Mr Tyrie), for Sevenoaks (Michael Fallon) and for Birmingham, Yardley (John Hemming). I do not know whether that is down to the new faces among us, but after 18 years in this place, I had begun to despair of achieving any sensible discussion on the scrutiny of public money. We spend other people's money, but it had seemed to be the last thing on anybody's mind in this place.

I do not downplay the steps that the previous Labour Government took, the framework that the Minister has inherited or his steps to put that framework into operation as quickly as he has, but my right hon. Friend the Member for Barking (Margaret Hodge) put across something else very important. I pay tribute to the Minister. The proposal to put online anything over £25,000 in a budget is an enormous step forward, because we are discussing streamlining and stopping the overlap between, and the disjointed effects of, the varied financial information that covers what we spend of taxpayers' money.

We have to remember that we spend hundreds of billions of pounds every year. When I first came here from local government, where we knew about every line, I had the cheek to ask people in one of the Departments to break down a budget head, and I could almost hear their terror. They thought that I was very impertinent even to suggest it, and said, "It would be too expensive to give you this information." We could take any line in the book that is in the Vote Office now—the central Government supply estimates. I picked it up this afternoon, as a geek, to go through it. There is a line referring to £1.5 billion, with a few words of explanation. If we attempt to find out what that covers and how it is broken down, we are thought to be exceeding our brief.
I listened to what was said by the hon. Members for Gainsborough (Mr Leigh), for Sevenoaks and for Chichester, who has, I think, disappeared in case he gets talked into agreeing to something. I do not think that this is pork barrel politics. It is a duty of Members in this place to know the detail of the legislation we are passing and what we are spending, but the system does not allow us to do that. There is a good argument for the Committees chaired by my right hon. Friend the Member for Barking and the hon. Member for Sevenoaks getting together, in whichever way, whether it is by taking the suggestion of the hon. Member for Sevenoaks or a combined option, with a joint Sub-Committee of the Public Accounts Committee and the Treasury Committee rather than a budget Committee. Whatever we did, it would frighten the officials. It would bring us so much power and so much ability to have a say in what we are spending if we set up an apparatus that allowed us to break all these lines down. However we do it, we need to get a system whereby we set up a group of Members who are willing to spend their time on this. That is one of the difficulties of suggesting that we have another Committee that would add to all the hours put in by members of the Treasury Committee and the Public Accounts Committee.

Two weeks ago, I made a suggestion to the new Chairman of the Treasury Committee regarding the Sub-Committee so admirably chaired by the hon. Member for Sevenoaks over the past few years. I said that we already look in outline terms at the budgets and work of the Departments and bodies covered by the Treasury Committee, but we could also run a yearly exercise whereby we took one Department and, instead of just having a two-hour session, spent the whole year going through its budget line by line, and we would do that for each Department in turn. When the Treasury Committee tried to scrutinise the work and expenditure of a Department, the people from that Department had only to see the Committee for two hours a year. They could take whatever abuse was thrown at them and bat off whatever questions they were asked, but then they knew that they were free for the rest of the year. If they knew that, on a yearly cycle, they would have line-by-line scrutiny of their Department's budget, they might be a bit more sensible in the way they spent public money.

Some wonderful suggestions have been made, and this is wonderful new ground. We should all resolve to accept the proposals that are on the table, but we should not be satisfied in thinking that they go anywhere near to allowing us to scrutinise properly. I have one last thought. I would love to have the opportunity that the Government are taking. I do not agree with their policies, their time scale, and so on; I think I made that clear the other night. However, I do agree with the music that is coming out whereby they are forcing Departments to sit down with them and go through, as much as is possible in the time scale, the make-up of the budgets to determine whether the money is being spent sensibly. That is a wonderful step forward.

7.45 pm

**Penny Mordaunt (Portsmouth North) (Con):** I broadly welcome the motion. I particularly welcome the proposal that parliamentary time must be provided to debate spending reviews and the annual pre-Budget report, and I hope that in future that will be the case-mind you, in light of recent Treasury reporting standards, just to have a spending review at all would be a marked improvement. However, I have some concerns about the clear line of sight project, and I hope that the Minister will be able to reassure me and the House about those.

I am not an economist or an accountant, but I have seen enough episodes of "Yes Minister" to take a cautious approach to projects that seek to allow the cleansing light of scrutiny to fall on
less information. I am concerned that "clear line of sight" might become "out of sight" in relation to some high-spending and income-generating Departments. For me, the Sir Humphrey element of this project concerns net accounting throughout—in other words, less information being presented, with potentially less transparency as a consequence.

Other Members have raised that issue, so I will not dwell on it. However, I wish to address the underlying assumption that Departments should be allowed to spend that additional income. It is stated as an advantage of this proposal that it will encourage Departments to be more frugal and squeeze better value for money for the taxpayer. I would argue that, paradoxically, the contrary might transpire, as Departments used the licence of net estimates to indulge in non-core activities aimed at increasing revenue for the Department. That would, in effect, be spending by stealth. Additional income raised would have to be spent in order to maintain the net figure, and presumably if the net figure were maintained Parliament would be content. Surely we would do better to have a system that set out gross expenditure and that enabled Parliament to choose how any additional income should be spent, held in reserve, or used to reduce the burden of that expenditure on the taxpayer. Unless we guarded against that, over time, we might see a distortion in the price of purchasing services such as passports, which are now practically compulsory, or in fees that might be paid, for example, to the UK Border Agency.

A second scenario might see a Department creating an income-generating activity that failed to deliver value for money or came at the expense of the statutory service that that Department was charged with carrying out. I will give the House a quick example from real life, not "Yes Minister", although it could well have been used for that. When I was a director of Kensington and Chelsea council, I discovered that one of our local hospitals was hiring out one of its closed, but fully equipped, wards to a film company to use as a film set. To add insult to injury, the movie was a pornographic one. Although I cannot claim to have seen the final picture, as I understand that these things are no longer claimable on parliamentary expenses, it was a big-budget affair and it generated substantial income for the hospital—but apart from cheering up a few of the in-patients, it could not be said to be contributing to the objectives of the primary care trust.

The absence of scrutiny on gross income and expenditure is the equivalent of saying to the public, "Don't bother to fill out your tax return—just tell us what your net income is and we'll take it at face value." Tax inspectors should see what items an individual is claiming against their income, and Parliament should be able to do the same. I hope that my hon. Friend the Minister will provide me with that reassurance when he sums up.

7.48 pm

Nadhim Zahawi (Stratford-on-Avon) (Con): I rise to speak on a topic that is of great importance to this House but that sadly, as my hon. Friend the Member for Gainsborough (Mr Leigh) said, is not engaged with in the same way as some of our policy debates are engaged with. However, I have to say that the name of the project is rather unfortunate. As well as confusing me the first time I read it, it definitely does not do what it says on the tin. I, for one, would have preferred a simpler name.

Transparency in all areas of Parliament, specifically in the use of the public purse, is of course of paramount importance. We must ensure that the public can follow and understand the decisions that are taken here. It should be a lot simpler for those who are interested to
interpret the expenditure of Government, so that taxpayers can see where their money is being used. The clear line of sight project is a step forward in that regard. It is intended to simplify Government public expenditure information in both its presentation and publication, something that I as a businessman firmly believe is imperative, especially in such difficult economic times. Now more than ever, we must ensure that every penny we spend is spent wisely.

It is very important that we mention the achievements of the previous Government when considering this project, as it is one of their successes. It was established in 2007 by the previous Government and is now supported by the new coalition Government. The aim behind it is to simplify how the public can view Government expenditure, which can be done by ensuring that it is published in a simple format and that the information is presented in as easy and accessible a way as possible. I must say that even with those changes, I am not convinced that the documents in question will ever become bestsellers.

The current arrangements must be seen for what they are—confusing and unhelpful. They have even been described as obstructive of proper scrutiny. Given the recent trials of this House, I strongly believe that a change has to come. One of the most obvious ways in which that can occur is if we ensure that public expenditure is controlled and measured in one clear way. At the moment we have Treasury budgets, parliamentary estimates, resource accounts and others, each using different methods and subsequently giving us different answers.

The clear line of sight project will do a number of things to rectify that situation. It will align the different measures of public spending and ensure that the estimates are configured so that Parliament and the Treasury use the same control tools. The expenditure of non-departmental public bodies—quangos—will be incorporated into the estimates and resource accounts of the sponsoring Department, which is a good thing. The project will also ensure that financial publications are rationalised into three annual results. As a result of those changes, departmental annual reports, estimates and resource accounts will all include figures on the same basis, making it easier for the House and the public to compare figures and trends on a like-for-like basis.

Sadly, it is important to note that the current view of politics held by many of our constituents is negative. We have been through a difficult time in recent years. The expenses scandal galvanised public anger towards politics and politicians, an anger made all the greater by the perceived lack of transparency when the scandal arose. The public believe that our political system is broken, and upon taking office this Government promised changes to the political system to make it far more transparent and accountable. The clear line of sight project will hopefully be a small step forward. That is why we are here today—we need to start to fix what has been broken. The coalition has an opportunity to right the wrongs and thus lay the framework for a new politics.

Transparency is a simple thing, yet it will make a huge difference to the view of those outside the House. It will be a powerful instrument for change. If we allow the public to scrutinise and understand the things that are done here, I believe we can have a positive debate about how we want to be governed. We talk about engagement with people, yet our system of government works against that very goal. I firmly believe that, if more people understand the figures and are not put off by what they see as Government mumbo-jumbo, more people will engage in the decisions that have to be made and that affect their lives. That can only be a good thing.
A large part of what we describe as political apathy is people not feeling like they are included in the system. At the moment things are dauntingly complex, and the clear line of sight project is one way in which we can simplify them. It is for those reasons that I believe it is an important step to take, for the sake of both transparency and encouraging the public to analyse and discuss the important financial decisions that need to be made.

That is why I am a huge supporter of the opening-up of government. We have had an unprecedented amount of bureaucracy since the second world war, whether from Europe or from our own Departments in the UK-I would say that it has been an extraordinarily bureaucratic time. The coalition has an opportunity, with this drive for transparency and openness, to create a post-bureaucratic age. I commend the motion to the House.

7.54 pm

Claire Perry (Devizes) (Con): I am sorry to delay the Minister further, but I felt it important to say how broadly I welcome this proposal. I know that it has had a long genesis; indeed, I was lucky enough to meet its team when I was part of the former Opposition’s Treasury team. I echo many of the comments that have been made commending both the clear line of sight team and the various heads of Committees who have helped to steer the process forward.

We will now have an alignment that takes care of some of the major problems, such as the £86 billion-worth of estimates that are not in budgets, the £71 billion that is in budgets but not in estimates, and the £58 billion that is in budgets but not in resource accounts. How could anyone manage a whelk stall, let alone public accounts, on that basis? Under the current system, 25% of public spending is not even seen by Parliament, so I welcome the current proposals, particularly the one to consolidate non-departmental public bodies. A complete lack of accountability has been built up in their financial reporting and processes.

I wish to echo a couple of points that other hon. Members have touched on, one of which is on the private finance initiative. We have an enormous problem of off-balance-sheet PFI commitments, which must be reconciled. I hope that the Financial Secretary will urge that matter be brought forward and included in the project.

I should like us to go further still. While working for the Opposition team, I was lucky enough to meet one of the major heads of one of our largest outsourcing companies, who effectively has 35,000 civil servants working for him-the size of a decent Government Department. He manages it with three Excel spreadsheets, which report the same numbers at the top of the organisation and down at the bottom. We should strive further to get to that level of transparency and simplicity at all levels of Government.

It is commendable that so many Members have come to this debate and recognise how important it is, but it is not commendable that we have built up a system that most people, including most Members of Parliament, find utterly incomprehensible. As a result, we have had an enormous increase in the lack of accountability and transparency further down in the organisation of government.

I refer Members to the NAO report of February 2008 on financial performance measurement and management in government. It stated that the financial performance of a Department formed no part of the standard performance assessment criteria for a permanent secretary; that only 40% of Departments provided policy decision makers with a full financial analysis
to support policy proposals; and that the last Government were teaching a course called "Managing public money" that had two stated objectives:

"To avoid a Department being disadvantaged in the public expenditure process"

and to

"protect the Accounting Officer's position".

There is not one word about taxpayers and, as the hon. Member for Leeds East (Mr Mudie) said so eloquently, not one acknowledgment that we are managing other people's money in everything that we do.

The current proposal is long overdue and has been three years in the gestation. I welcome it warmly, but I should like the same commitment to transparency and accountability to be pushed down to all levels of government.

7.58 pm

Mr Hoban: I wish to respond briefly to the debate.

As someone who in his previous career was a chartered accountant, I find something elegant about ensuring that figures are reconciled, but that is not an end in itself. In my former career it was to ensure that one could hold the management of businesses to account, and in my current career it is about being held to account myself and giving hon. Members the tools to hold Ministers and the Government to account on public spending.

A number of questions were asked about income being reported on a net basis. My hon. Friend the Member for Chichester (Mr Tyrie), in his four comments, was correct on all points, as one would expect. The control of income, which was raised by my hon. Friends the Members for Gainsborough (Mr Leigh), for Sevenoaks (Michael Fallon) and for Portsmouth North (Penny Mordaunt), is an issue to consider. The Supply estimates will continue to report a Department's expected levels of income, and they will include a note breaking them down in detail. Only income of a type included in the description of income in the estimates will be able to be retained by Departments. My hon. Friend the Member for Portsmouth North gave an example from her knowledge. Departments will continue to be subject to rules on fees and charges. That will determine the costs that can be charged for and ensure that full costs are recovered but that Departments do not generate profits. There will still be control over the types of income raised, which will be in line with legislation. There will be a note in the estimates analysis of income, which will ensure that these issues are transparent and that we can be held to account for them.

My hon. Friend the Member for Sevenoaks (Michael Fallon) raised a number of technical issues to which I shall respond in writing. I commend the motion to the House.

Question put and agreed to.

Resolved,