



House of Commons
Treasury Committee

**Re-appointment of
Dr Andrew Sentance to the
Monetary Policy Committee**

Eighth Report

Volume I

Report, together with formal minutes

*Ordered by the House of Commons
to be printed 26 March 2008*

HC 454-I

Published on Tuesday 1 April 2008
by authority of the House of Commons
London: The Stationery Office Limited
£0.00

The Treasury Committee

The Treasury Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of HM Treasury, HM Revenue & Customs and associated public bodies.

Current membership

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Nick Ainger MP (*Labour, Carmarthen West & South Pembrokeshire*)
Mr Graham Brady MP (*Conservative, Altrincham and Sale West*)
Mr Colin Breed MP (*Liberal Democrat, South East Cornwall*)
Jim Cousins MP (*Labour, Newcastle upon Tyne Central*)
Mr Philip Dunne MP (*Conservative, Ludlow*)
Mr Michael Fallon MP (*Conservative, Sevenoaks*) (Chairman, Sub-Committee)
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Mr Mark Todd MP (*Labour, South Derbyshire*)
Peter Viggers MP (*Conservative, Gosport*).

Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No. 152. These are available on the Internet via www.parliament.uk.

Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at www.parliament.uk/treascom.

A list of Reports of the Committee in the current Parliament is at the back of this volume.

Committee staff

The current staff of the Committee are Colin Lee (Clerk), Sïan Jones (Second Clerk and Clerk of the Sub-Committee), Adam Wales, Jon Young and Jay Sheth (Committee Specialists), Phil Jones (Committee Assistant), Caroline McElwee (Secretary), Tes Stranger (Senior Office Clerk) and Laura Humble (Media Officer).

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Summary

The Treasury Committee has established a practice of holding hearings with individuals appointed to the Monetary Policy Committee (MPC) of the Bank of England and issuing short Reports on their personal independence and professional competence.

In this Report we emphasise the value of hearings with those re-appointed to the MPC. Such hearings provide a chance to assess members of the MPC against our criteria in the light of information acquired during our on-going scrutiny of the MPC's work. Such hearings also form part of the wider structure of continuing parliamentary accountability for the work of the MPC.

We welcome the Chancellor of the Exchequer's explicit recognition of the value of pre-commencement hearings for those re-appointed to the Monetary Policy Committee and his broader commitment to seek to give three months' notice of appointments to the Monetary Policy Committee.

We are satisfied that Dr Andrew Sentance continues to meet the criteria by which we assess those appointed to the MPC—namely, personal independence and professional competence—and we wish him success in his continuing role.

1 Introduction

Background

1. Since the beginning of the present Parliament, we have followed the practice of our predecessors of holding hearings with individuals appointed to the Monetary Policy Committee (MPC) of the Bank of England and issuing short Reports on their personal independence and professional competence.¹ In the current Parliament, we have attached importance to the examination of those re-appointed to the MPC as well as of new appointees.² This current Report examines recent changes to MPC appointment procedures and the re-appointment of Dr Andrew Sentance to the MPC.

The current inquiry

2. Dr Andrew Sentance submitted a Curriculum Vitae to the Committee, together with answers to a questionnaire about his activities as a member of the MPC. These documents will be published in Volume II of this Report. We took evidence from Dr Sentance on Wednesday 26 March. We are grateful to Dr Sentance for his written answers and his oral evidence.

Recent changes to appointment procedures

3. In June 2007, the then Chancellor of the Exchequer, the Rt. Hon. Gordon Brown MP, announced in evidence to us three additions to the appointment procedures for ‘external’ members of the MPC—in other words, for the four members who do not hold executive responsibilities within the Bank of England—as follows:

- a pre-announced timetable for new appointments;
- advertisements to invite expressions of interest; and
- publication of additional criteria on the qualities and “skills set” that the Government is seeking from successful candidates.³

In our Report published in September 2006 on *The Monetary Policy Committee of the Bank of England: ten years on* we welcomed these changes.⁴

4. The changes announced in June were reinforced by an announcement by the Chancellor of the Exchequer, the Rt. Hon. Alistair Darling MP, on 3 July 2007:

¹ Treasury Committee, First Report of Session 2005–06, *The Monetary Policy of the Bank of England*, HC 525–I, paras 8–9

² *Ibid.*, paras 14–17; Treasury Committee, Seventh Report of Session 2006–07, *The Monetary Policy Committee of the Bank of England: re-appointment hearing for Ms Kate Barker and Mr Charlie Bean*, HC 569–I

³ Treasury Committee, Twelfth Report of Session 2006–07, *The Monetary Policy Committee of the Bank of England: ten years on*, HC 299–I, para 78

⁴ *Ibid.*, para 79

To further increase parliamentary accountability and scrutiny of appointments I am today announcing that, following their appointment, I will invite the Treasury Select Committee to convene pre-commencement hearings with all appointees to the MPC of the Bank of England ... These hearings will give the Committee a full opportunity to discuss with the appointee their priorities and experience, and for external MPC appointments, coupled with the reforms announced last month, will allow the Committee to evaluate their skills and qualities against the published criteria.⁵

5. On 30 January 2008, at the same time as the Government provided us with its response to our Report on *The Monetary Policy Committee of the Bank of England: ten years on* and announcements were made about the re-appointment of Mervyn King as Governor of the Bank of England and of Dr Andrew Sentance as an 'external' member of the MPC, the Chancellor of the Exchequer gave further information about future appointments in a letter to the Chairman of this Committee. The Chancellor stated:

In future, the Treasury will, as far as possible, publish a timetable for appointment of an external MPC member before a vacancy becomes available on the Committee and announce details of who it has decided to appoint, in sufficient time to be consistent with allowing the Treasury Select Committee three months for their pre-commencement hearings.⁶

He went on to say:

In the event that I judge that reappointing an individual to serve a further term is in the best interests of the Monetary Policy Committee, I will aim to announce my intention to do so in good time before their existing term is due to come to an end. Re-appointed members will undergo a pre-commencement hearing in the same manner as new members, ensuring that all members are subject to regular process of Parliamentary scrutiny.⁷

6. Hearings with those re-appointed to the MPC are of considerable value. Such hearings provide a chance to assess members of the MPC against our criteria in the light of information acquired during our on-going scrutiny of the MPC's work. Such hearings also form part of the wider structure of continuing parliamentary accountability for the work of the MPC, alongside our regular scrutiny of Inflation Reports and specific inquiries such as that we conducted last year into *The Monetary Policy Committee of the Bank of England: ten years on*. **We welcome the Chancellor of the Exchequer's explicit recognition of the value of pre-commencement hearings for those reappointed to the Monetary Policy Committee and his broader commitment to seek to give three months' notice of appointments to the Monetary Policy Committee.**

⁵ HC Deb, 3 July 2007, col 435

⁶ Liaison Committee, First Report of Session 2007–08, *Pre-appointment hearings by select committees*, HC 384, pp 27–28

⁷ *Ibid.*, p 28

2 Re-appointment of Dr Andrew Sentance

Background on Dr Sentance

7. Prior to his appointment to the MPC, Dr Andrew Sentance was Chief Economist and Head of Environmental Affairs at British Airways Plc. Before that, he was Director of the Centre for Economic Forecasting at the London Business School. We considered Dr Sentance's previous experience in more detail when we examined his initial appointment.⁸

Dr Sentance on the MPC

8. Dr Sentance's first appointment to the MPC was announced on 13 July 2006, and took effect from 1 October 2006.⁹ His first term will end on 31 May 2008. His initial appointment was for the unusually short period of 20 months because he filled a vacancy on the MPC created by the untimely death of David Walton.¹⁰ We took evidence from Dr Sentance on his initial appointment on 12 October 2006, and published a Report thereafter in which we stated that we were satisfied that he fulfilled our criteria for appointment.¹¹ On 30 January 2008, the Chancellor of the Exchequer announced that Dr Sentance had agreed to serve a second term on the MPC, on this occasion for three years beginning on 1 June 2008.¹²

9. As a member of the MPC, Dr Sentance has sought to contribute to public debate on UK monetary policy, through public speeches, interviews, regional visits, business briefings and educational activities. He has given six public speeches, and undertaken 10 two-day regional visits and 60 company visits and business briefings, as well speaking at a number of schools and universities.¹³

10. Like that of all current 'external' members of the MPC, Dr Sentance's position on the MPC is not full-time.¹⁴ Alongside his work on the MPC, Dr Sentance is a part-time Professor at the University of Warwick, based at the centre for the Study of Globalisation and Regionalisation and also a Member of the Commission for Integrated Transport, which provides independent advice to the Government on transport policy issues.¹⁵

⁸ Treasury Committee, Eleventh Report of Session 2005–06, *The Monetary Policy Committee of the Bank of England: appointment hearings for Professor Tim Besley and Dr Andrew Sentance*, HC 1595–I, para 12. An updated CV for Dr Sentance will be published in Volume II of the current Report.

⁹ HM Treasury press notice 52/06, "Appointment to the Monetary Policy Committee", 13 July 2006

¹⁰ HC (2005–06) 525–I, para 10; Dr Sentance's answer to questionnaire, Q 2

¹¹ HC (2005–06) 1595–I, para 15

¹² HM Treasury press notice 08/08, "Appointment to the Monetary Policy Committee", 30 January 2008

¹³ Dr Sentance's answer to questionnaire, Q 2

¹⁴ HC (2006–07) 299–I, paras 69–70

¹⁵ Dr Sentance's answer to questionnaire, Q 4

Our evidence

11. During our evidence from Dr Sentance on his re-appointment to the MPC, we asked him about a range of matters, including:

- his own contribution to the work of the MPC;
- links between the MPC and the wider public, including in particular Dr Sentance's work with schools and universities;
- links between the 'external' members of the MPC and the other work of the Bank of England; and
- conditions in the real economy and the challenges for the Office for National Statistics in providing accurate data on the real economy.

Conclusions

12. We are satisfied that Dr Andrew Sentance continues to meet the criteria by which we assess those appointed to the MPC—namely, personal independence and professional competence—and we wish him success in his continuing role.

Conclusions and recommendations

1. We welcome the Chancellor of the Exchequer's explicit recognition of the value of pre-commencement hearings for those reappointed to the Monetary Policy Committee and his broader commitment to seek to give three months' notice of appointments to the Monetary Policy Committee. (Paragraph 6)
2. We are satisfied that Dr Andrew Sentance continues to meet the criteria by which we assess those appointed to the MPC—namely, personal independence and professional competence—and we wish him success in his continuing role. (Paragraph 12)

Formal Minutes

Wednesday 26 March 2008

Members present:

John McFall, in the Chair

Nick Ainger

Mr Graham Brady

Mr Colin Breed

Jim Cousins

Mr Philip Dunne

Mr Michael Fallon

Ms Sally Keeble

Mr Andrew Love

John Thurso

Mr Mark Todd

Peter Viggers

Re-appointment of Dr Andrew Sentance to the Monetary Policy Committee

Re-appointment of Dr Andrew Sentance to the Monetary Policy Committee: Dr Andrew Sentance gave oral evidence.

The Committee considered this matter.

Draft Report (*Re-appointment of Dr Andrew Sentance to the Monetary Policy Committee*), proposed by the Chairman, brought up and read.

Ordered, That the Chairman's draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 10 read and agreed to.

Paragraphs 11 and 12 read, amended and agreed to.

Summary amended and agreed to.

Resolved, That the Report, as amended, be the Eighth Report of the Committee to the House.

Ordered, That the Chairman make the Report to the House.

Written evidence was ordered to be reported to the House for printing with the Report.

[Adjourned till Tuesday 1 April at 9.30 a.m.]

Witnesses

Wednesday 26 March 2008

Dr Andrew Sentance, External member of the MPC

List of written evidence

1 Dr Andrew Sentance

List of Reports from the Treasury Committee during the current Parliament

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First Report	The 2007 Comprehensive Spending Review	HC 55
Second Report	The 2007 Pre-Budget Report	HC 54
Third Report	The Work of the Committee in 2007	HC 230
Fourth Report	Climate change and the Stern Review: the implications for Treasury policy	HC 231
Fifth Report	The run on the Rock	HC 56
Sixth Report	Financial Stability and Transparency	HC 371
Seventh Report	Administration and expenditure of the Chancellor's departments, 2006–07	HC 57
Session 2006–07		Report
First Report	Financial inclusion: the roles of the Government and the FSA, and financial capability	HC 53
Second Report	The 2006 Pre-Budget Report	HC 115
Third Report	Work of the Committee in 2005–06	HC 191
Fourth Report	Are you covered? Travel insurance and its regulation	HC 50
Fifth Report	The 2007 Budget	HC 389
Sixth Report	The 2007 Comprehensive Spending Review: prospects and processes	HC 279
Seventh Report	The Monetary Policy of the Bank of England: re-appointment hearing for Ms Kate Barker and Mr Charlie Bean	HC 569
Eighth Report	Progress on the efficiency programme in the Chancellor's department	HC 483
Ninth Report	Appointment of the Chair of the Statistics Board	HC 934

Tenth Report	Private equity	HC 567
Eleventh Report	Unclaimed assets within the financial system	HC 533
Twelfth Report	The Monetary Policy Committee of the Bank of England: ten years on	HC 299
Thirteenth Report	Financial inclusion follow-up: saving for all and shorter term saving products	HC 504
Fourteenth Report	Globalisation: prospects and policy responses	HC 90

Session 2005–06

Report

First Report	The Monetary Policy Committee of the Bank of England: appointment hearings	HC 525
Second Report	The 2005 Pre-Budget Report	HC 739
Third Report	The Monetary Policy Committee of the Bank of England: appointment hearing for Sir John Gieve	HC 861
Fourth Report	The 2006 Budget	HC 994
Fifth Report	The design of a National Pension Savings Scheme and the role of financial services regulation	HC 1074
Sixth Report	The administration of tax credits	HC 811
Seventh Report	European financial services regulation	HC 778
Eighth Report	Bank of England Monetary Policy Committee: appointment hearing for Professor David Blanchflower	HC 1121
Ninth Report	Globalisation: the role of the IMF	HC 875
Tenth Report	Independence for statistics	HC 1111
Eleventh Report	The Monetary Policy Committee of the Bank of England: appointment hearings for Professor Tim Besley and Dr Andrew Sentance	HC 1595
Twelfth Report	Financial inclusion: credit, savings, advice and insurance	HC 848
Thirteenth Report	“Banking the unbanked”: banking services, the Post Office Card Account, and financial inclusion	HC 1717
