



House of Commons
Treasury Committee

Appointments to the Budget Responsibility Committee

Fifth Report of Session 2010–11

Volume I

Report, together with formal minutes

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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 and Customs and associated public bodies.

Current membership

Mr Andrew Tyrie MP (*Conservative, Chichester*) (Chairman)
John Cryer MP (*Labour, Leyton and Wanstead*)
Michael Fallon MP (*Conservative, Sevenoaks*)
Mark Garnier MP (*Conservative, Wyre Forest*)
Stewart Hosie MP (*Scottish National Party, Dundee East*)
Andrea Leadsom MP (*Conservative, South Northamptonshire*)
Mr Andy Love MP (*Labour, Edmonton*)
John Mann MP (*Labour, Bassetlaw*)
Mr George Mudie MP (*Labour, Leeds East*)
Jesse Norman MP (*Conservative, Hereford and South Herefordshire*)
David Rutley MP (*Conservative, Macclesfield*)
John Thurso MP (*Liberal Democrat, Caithness, Sutherland, and Easter Ross*)
Mr Chuka Umunna MP (*Labour, Streatham*)

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.

Publication

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.

The Reports of the Committee, the formal minutes relating to that report, oral evidence taken and some or all written evidence are available in printed volume(s). Additional written evidence may be published on the internet only.

Committee staff

The current staff of the Committee are Eve Samson (Clerk), David Slater (Second Clerk), Adam Wales, Jay Sheth, Jonathan Tang, Daniel Fairhead (Committee Specialists), Phil Jones (Senior Committee Assistant), Caroline McElwee (Committee Assistant), Gabrielle Henderson (Committee Support Assistant) and Laura Humble (Media Officer).

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Summary

We welcome the Chancellor's commitment to the provision of a statutory veto over the appointment and dismissal of all the members of the Budget Responsibility Committee, in line with our previous recommendation.

We recommend that the Treasury ensure there is a two month gap between announcing their recommendation for an appointment to the Budget Responsibility Committee, and the proposed starting date for that candidates, so as to allow adequate time for the Treasury Committee to arrange hearings, and consider the candidature properly.

We recommend that the Treasury remind applicants to the Budget Responsibility Committee that all application materials submitted to HM Treasury will be made available to the Treasury Committee, on a confidential basis.

We are satisfied that Professor Stephen Nickell has the professional competence and personal independence to be a member of the Budget Responsibility Committee. We wish him every success in his new role.

We are satisfied that Graham Parker has the professional competence and personal independence to be a member of the Budget Responsibility Committee. We wish him every success in his continuing role.

1 Introduction

1. The Chancellor and this Committee have agreed the Committee should have a veto over the appointment and dismissal of the Chair of the Office for Budget Responsibility. This is the first appointment to be subject to such a veto. In our subsequent Report on the *Office for Budget Responsibility*, we recommended that “We should also have the right to veto other BRC [Budget Responsibility Committee] executive members proposed by the Chancellor”.¹ In his 12 October 2010 letter to the Chairman of this Committee, the Chancellor also confirmed that:

These appointments will be subject to hearings before the TSC. I have stated my intention to provide in legislation for the TSC to have the power of veto over the appointment of the Chair, and this would bestow upon the TSC more power over this appointment than they currently have over any public appointment. I now intend to extend this statutory power of veto to the appointment of the Members of the BRC. I am taking this unprecedented step because I want there to be absolutely no doubt that all the members of the BRC leading the OBR are independent and have the support and approval of the TSC.²

We welcome the Chancellor’s commitment to the provision of a statutory veto over the appointment and dismissal of all the members of the Budget Responsibility Committee, in line with our previous recommendation.

2. On 12 October 2010, the Chancellor of the Exchequer wrote to the Chairman of this Committee to announce that his preferred candidates to the Budget Responsibility Committee were Professor Stephen Nickell and Graham Parker. In the same letter, the Chancellor noted that “I hope in the case of Stephen Nickell you will be able to arrange his hearing so that, should the Committee approve this appointment, he would be able to take up this position in time to join the BRC in producing the autumn forecast. Graham Parker will of course continue in his role as interim OBR member to deliver the OBR’s responsibilities with respect to the Spending Review before his hearing.”³ Given the urgent need for the OBR to undertake its work on the autumn forecast, on this occasion we were willing to conduct the appointment hearings quickly. Once the OBR has been fully established, we expect to be given better notice of such hearings. **We recommend that the Treasury ensure there is a two month gap between announcing their recommendation for an appointment to the Budget Responsibility Committee and the proposed starting date for that candidate, so as to allow adequate time for the Treasury Committee to arrange hearings, and consider the candidature properly.**

3. Since the Treasury Committee now has a veto in relation to the appointment and dismissal of members of the Budget Responsibility Committee, we require further information above and beyond that provided by candidates’ responses to the questionnaire

1 Treasury Committee, *Office for Budget Responsibility*, Fourth Report of Session 2010–11, HC 385, Para 107

2 Letter from the Chancellor of the Exchequer to the Chairman of the Treasury Select Committee, 12 October 2010

3 Letter from the Chancellor of the Exchequer to the Chairman of the Treasury Select Committee, 12 October 2010

we already obtain from them. **We recommend that the Treasury remind applicants to the Budget Responsibility Committee that all application materials submitted to HM Treasury will be made available to the Treasury Committee, on a confidential basis.**

4. We took oral evidence from Professor Stephen Nickell and Graham Parker on 25 October 2010. This will be published shortly, together with their answers to our questionnaires and their *curriculum vitae*. We have considered their appointments in line with our previous practice,⁴ using personal independence and professional competence as the criteria against which we assess the suitability of the Chancellor's proposed candidates.

⁴ Treasury Committee, Third Report of Session 2010-11, *Appointment of Robert Chote as Chair of the Office for Budget Responsibility*, HC 476-I, paras 2-6

2 The appointment to the Budget Responsibility Committee of Professor Stephen Nickell

Background on Professor Stephen Nickell

5. Professor Nickell has been Warden of Nuffield College, Oxford from 2006. Prior to that he was School Professor of Economics at the London School of Economics from 1998. He was also an external member of the Monetary Policy Committee of the Bank of England from 2000 to 2006. He was President of the Royal Economics Society from 2001 to 2004, and has been a Vice-President since 2004. He has published widely on a variety of topics in economics. In 2007 he was awarded a CBE for his services to economics.

Our evidence

6. In oral evidence, we questioned Professor Nickell on his suitability to be a member of the Budget Responsibility Committee. We focussed on macroeconomic topics and how he thought the OBR might operate. He agreed there would be a need for a review of the operation of the OBR in five years time. Particular topics we questioned Professor Nickell on included:

- The structure and remit of the OBR;
- How dissent will be managed within the BRC;
- The scrutiny of the BRC by the Treasury Committee;
- The exposition of uncertainty within the forecast;
- His ability as a team player;
- Research priorities at the OBR;
- The impact of migration;
- The impact of the VAT rise;
- The forecast for economic growth;
- Lending to households;
- The restriction on the OBR discussing the fiscal mandate;
- The transparency of the OBR;
- The setting of the OBR's work programme;

- The OBR's independence from the Treasury, and the demonstration of that independence, including against political bias;
- The biggest risk to closing the output gap;
- The impact of changes in credit availability, taxation and government spending on the economy;
- Forecasting employment and unemployment in the public and private sectors;
- The impact of the measures in the June Budget;
- Professor Nickell's independence;
- His preparedness to make himself available immediately;
- The forecast models used by the OBR;
- The weaknesses of the Treasury in forecasting tax revenues;
- The impact of quantitative easing;
- The relationship between the OBR and the Financial Policy Committee; and
- The relationship between the OBR and the Monetary Policy Committee, especially around monetary policy.

Conclusions

7. We are satisfied that Professor Stephen Nickell has the professional competence and personal independence to be a member of the Budget Responsibility Committee. We wish him every success in his new role.

3 The appointment to the Budget Responsibility Committee of Graham Parker

Background on Graham Parker

8. Mr Parker has worked at the Office for Budget Responsibility since May 2010. Prior to joining the OBR, he was Head of the Public Sector Finance Team at HM Treasury, from November 1999 to January 2009. Before joining HM Treasury, he was working at the Inland Revenue. Since 2008 he has been a Member of the IMF Fiscal Affairs Department's panel of technical experts. He was awarded a CBE in 2008.

Our evidence

9. In oral evidence, we questioned Mr Parker on his suitability to be a member of the Budget Responsibility Committee. We concentrated on his previous experience in fiscal forecasting. We noted that he had headed the Public Sector Finance in HM Treasury. Because of this we took particular care to question him rigorously about his personal independence. The issues we discussed with Mr Parker included:

- His independence;
- The timing of forecasts;
- The disclosure of information;
- The OBR's accountability to Parliament;
- The independence of the OBR's fiscal forecasting;
- Decision making within the BRC;
- How he was appointed to the interim OBR;
- The Treasury's fiscal forecasting record;
- The impact of changes in government spending, and the fiscal multipliers; and
- The fiscal mandate.

Conclusions

10. We are satisfied that Graham Parker has the professional competence and personal independence to be a member of the Budget Responsibility Committee. We wish him every success in his continuing role.

Formal Minutes

Monday 25 October 2010

Members present:

Mr Andrew Tyrie, in the Chair

Michael Fallon	John Mann
Mark Garnier	David Rutley
Stewart Hosie	John Thurso
Mr Andrew Love	Mr Chuka Umunna
Mr George Mudie	

Draft Report (*Appointments to the Budget Responsibility Committee*), proposed by the Chair, brought up and read.

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

Paragraphs 1 to 10 read and agreed to.

Summary agreed to.

Resolved, That the Report be the Fifth Report of the Committee to the House.

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

[Adjourned till Tuesday 26 October at 9.30 am

Witnesses

Monday 25 October 2010

Professor Stephen Nickell CBE; Graham Parker CBE

List of written evidence

- 1 Professor Stephen Nickell: Response to Treasury Committee Questionnaire and CV
- 2 Graham Parker: Response to Treasury Committee Questionnaire and CV

List of Reports from the Committee during the current Parliament

Session 2010–11

First Report	June 2010 Budget	HC 350
Second Report	Appointment of Dr Martin Weale to the Monetary Policy Committee of the Bank of England	HC 475
Third Report	Appointment of Robert Chote as Chair of the Office for Budget Responsibility	HC 476
Fourth Report	Office for Budget Responsibility	HC 385
