



Political and Constitutional Reform Committee

Oral evidence: [Fixed-term Parliaments: the final year of a Parliament](#), HC 976

Thursday 16 January 2014

Ordered by the House of Commons to be published on 16 January 2014.

[Watch the meeting](#)

Members present: Mr Graham Allen (Chair); Mr Christopher Chope; Paul Flynn; Fabian Hamilton; Robert Neill; Mr Andrew Turner

Questions 1-42

Witness: **Caroline Slocock**, Director, Civil Exchange, gave evidence.

Q1 Chair: It is very good to see you, Caroline. You know that we are doing an inquiry into the fixed-term Parliament and whether it has been helpful, and whether we should retain it or repeal it. It is part of a quite broad inquiry and fits into the codification or overarching concept that is guiding the Committee, to a degree. Welcome. You are among friends here. We are trying to find out how we should do this best and are seeking your expert view. Is there anything you would like to say to kick us off, or do you want to jump straight into questions?

Caroline Slocock: I have not prepared anything in advance, so I think just jump straight into it.

Chair: I am going to ask Mr Chope to take the lead, because he has to leave at about 10.30.

Q2 Mr Chope: Good morning. Thanks for coming along. The Chancellor and the Prime Minister have been saying a lot recently about having a long-term economic plan. Are you aware of any new mechanisms or processes that have been brought in by this Government during this Parliament to improve long-term planning?

Caroline Slocock: I think they have done some positive things that have helped to create a slightly longer-term focus. For example, the Office for Budget Responsibility produces a fiscal sustainability report that takes Government's plans and projects them forward over many years, and considers their impact on long-term fiscal sustainability. I think that is a definite positive. They have also commissioned some important reports looking at some of the big long-term issues. For example, the Field and Allen reports have both been very important in looking at how to invest in children and young people and increase social mobility. I think they have commissioned some specific reviews that have helped to create a longer-term framework for thinking about these issues. They also announced in the last spending review that they were going to establish 10-year plans for

major capital items, which was quite an interesting development. There is already a tendency to think about big capital projects over a longer-term time frame, but that was a specific new change.

Those are some positive things. Perhaps I should also add the new What Works centres, which I think are giving greater analysis on some of the things where investment could be useful. That is relatively positive, but I think that the Government is still very short-term in the way that it is planning and thinking about spending.

Q3 Mr Chope: You have said that you think something should be done in terms of long-term planning for what you described as an estimated gap of up to £54 billion in the health service budget and, similarly, problems over the next 10 years in relation to rising costs of child poverty. What do you think the Government should be doing in those areas?

Caroline Slocock: There are clearly specific initiatives that it could take, but it also needs to start planning in a way that supports that long-term thinking. It is interesting, on the cost of the health service, that another Select Committee, the Lords Select Committee on Public Service and Democratic Change, has looked at the same issue and concluded that what is needed is a 10-year spending envelope across health and social care to enable longer-term planning over those issues. What is currently happening in social care is that, according to the figures that are available, there seems to have been a significant cutting back in preventative social care in order to meet short-term funding pressures, which is fuelling the costs on the NHS of dealing with an ageing population.

That illustrates that if you do not get the incentives right, if you do not plan for the longer term, you will inevitably end up focusing on the short term. I think what the Government has been doing is focusing on balancing budgets in the immediate or short-to-medium term, and not setting up incentives that look across a longer period of time. The problems of child poverty and the rising cost of the NHS with an ageing population have been long in the making, and they will continue to be things that need long-term solutions.

Q4 Mr Chope: Having a fixed-term Parliament of five years is irrelevant to all this, is it?

Caroline Slocock: I don't think it is irrelevant, but it has not solved the problem. I think it is potentially quite beneficial, because it creates a greater stability in which to plan. It would have been possible, for example, for the Government, when it came into power, to set a five-year plan or longer, and I would prefer longer. It could have done so. The incentives would not have been quite so clear for that if the lifetime of the Parliament was not clear. It supports better planning, and I think some of the witnesses you have heard in the past have made those sorts of points to you, but if in practice it does not lead to longer-term planning, it has not solved the problem.

Q5 Mr Chope: Before we had a fixed-term Parliament, at about this stage in a Parliament, running up to the four-year mark, successive Prime Ministers—Margaret Thatcher did it twice, and Tony Blair did it twice—went for a general election after about four years. They said, “To secure long-term planning and get a fresh mandate, instead of having to concentrate on the short-termism of running up to a general election, we will have a general election now.” In that sense, could you see that the fixed-term Parliament is working in the opposite direction, against the ability to do long-term planning in the last year of a Parliament?

Caroline Slocock: I am not sure about the politicians' arguments in those particular cases. I think politicians say all sorts of things about why they call elections. Certainly one of the things that

happened in the past when you did not have a fixed-term Parliament—I say this having worked in Government and with Ministers—is that there was endless speculation about when they might call an election. Outside Parliament, there is also endless speculation that clogs up the machine and stops useful things from happening that otherwise might have been happening. I suppose when you do not have a fixed-term Parliament, there is a tendency for Governments to want to call elections sooner rather than later in order to get through that speculation, but with a fixed-term Parliament, at least you have quite an extended period of time when there is not unnecessary speculation going on within and outside Government, which does hamper good government. It creates at least four years in which you can get on with the business of government, which must be a good thing.

Q6 Robert Neill: Isn't the problem really that no acceptable electoral cycle is ever going to be enough to fit in the long-term planning that you need to do if you are looking at it from a business point of view?

Caroline Slocock: I think that is exactly right and straight to the point. A fixed-term Parliament has some benefits, as we have just been discussing, but really this question of planning over the longer term is a wider issue that needs a different solution. There is a real danger of leaving a cliff edge. If you have firm five-year plans, you have just left a cliff edge for everybody as you get towards the end of that five years as to what is going to happen in the future. You have public services on the edge of their seats waiting to see what is going to happen. It is important that there is some ability to plan ahead for all services. It promotes better services, but the question that I have been raising particularly is one of thinking about the longer term.

An endemic problem in politics is short-termism, and I think it is an endemic problem in government as well—a tendency to just think about the short term—and planning tends to add to that problem. It is potentially pushing problems off to the future and, in many cases, perhaps beyond elections. What I and the Early Action Task Force, which I have been working with, would like to see is a much longer perspective on the planning of public expenditure. That view was supported by the Public Accounts Committee, which produced a report on early action recently; it asked the Treasury to produce mandatory 10-year impact assessments, which is just another way of talking about 10-year planning.

Our choice of 10 years is, incidentally, relatively arbitrary. What we are trying to do is introduce the concept of making transparent the impact of decisions that are taken now. It could be 15 years or it could be eight years, but the underlying issue is that a lot of the problems that any Government is trying to address are long in the making and long in the solving, just as we were saying earlier about the ageing population, poverty or lack of social mobility. You can set plans in three-year blocks or possibly five-year blocks—the longer the better, probably—that will help to do that, but sometimes you really do need to look ahead and see what the impact might be, both of inaction or continuing with what you are doing now, and also of new investment. The concept of 10-year plans is a rolling one. There is nothing to prevent Governments from setting spending plans beyond their term in Government. They have done it in the past and they could continue to do it in future. Obviously, a new Government would revisit it.

Q7 Robert Neill: That is the point. You do it on the basis that those things may change because the political priorities will change as a result of the election.

Caroline Slocock: Yes, it is a sort of pencilling in, particularly around spending envelopes; it gives the ability for local authorities, public bodies and others to get some sense of where they are going. It also means that an incoming Government does not necessarily have to race within a few months

to set a budget, because there is something that is already in train that they can leave in place while they take time to pause.

Q8 Chair: Which, of course, Caroline, will happen on the next occasion, because the contents of the spending review will be within a matter of weeks of the general election.

Caroline Slocock: Yes. I am not sure if you have been briefed, but I have worked in the Treasury on spending reviews, and I think the prospect of doing a spending review within a few weeks is quite a frightening one, especially if it ends up setting absolutely fixed plans for five years. There is a benefit in having some stability, but there is a danger that the plans are bad plans, and then they are sort of set in stone.

Q9 Robert Neill: Just out of interest, you came into the Treasury in 1997, when there had been a change of Government. I forget what you were doing before. Were you in Government before?

Caroline Slocock: I came into the Treasury in 1991, because I had been working at No. 10. I was private secretary, home affairs, to Margaret Thatcher and then John Major.

Robert Neill: So you have seen quite a bit of it from that side.

Caroline Slocock: Yes. I was in the Treasury in various roles, but in 1997 I was in the bit of the Treasury called general expenditure policy that runs the spending system. That was at the time when there was an incoming Labour Government. It was very much a sense of fresh energy and fresh thinking, and I introduced changes, some of which I think had been worked through before the election by the Labour party, to spending.

Q10 Robert Neill: I think that is the point. I will ask you a couple of bits about your specific experience on spending reviews, against that background. I get the sense, encapsulating that, that a fixed-term Parliament—a structural measure—can be helpful, but the issue that you want to address is more one of political culture rather than anything else.

Caroline Slocock: Yes.

Robert Neill: Against that background, and what you did in the Treasury during that period, can we have a look at the 2010 to 2013 spending reviews? What is your take, given that experience, as to whether those reviews were demonstrating a move? I think in one of your comments you said there had been some tentative steps. Was that as a result of the spending reviews or not?

Caroline Slocock: The last spending review was unusual, in that it was only looking at one year, which I have to say is quite a backward step. On the other hand, the Treasury certainly did look at some things that were designed to tackle some of these longer-term issues, although I think on a relatively small scale. For example, they introduced even closer work between the NHS and social care, with transfers from the NHS budget to the social care budget to encourage more expenditure on prevention. They were certainly thinking about some of these longer-term issues, but that said, it is still a one-year plan, and it still leaves quite a significant cliff edge for everyone. I think it is a shame that the fixed-term process in that case led them to a four-year and then a one-year—

Robert Neill: Yes; because of the way it went, it was a five years' minimum, or something like that.

Caroline Slocock: Yes.

Q11 Robert Neill: The other bit that struck me as a Minister in those first two years, as many other commentators have said, is that the actual process, because of the coalition and the fact you had to make sure that both sides were on side—star chambers and so on—was rather more formalised than it had been in previous years. That sounds as if it might chime with your experience, from what you have told us.

Caroline Slocock: Probably, yes. When I first joined the Treasury in 1991, which does seem like quite a long time ago now, there were annual spending reviews, and we went through quite an exhaustive—and rather exhausting, it has to be said—process of negotiation with Ministers. It genuinely was a negotiation. There was a star chamber and a public expenditure Cabinet Committee, and some of the final haggling was done through that process, but it was a very iterative and quite formal process. When the incoming Labour Administration introduced three-year spending plans, it also probably introduced a new style, so there was far less negotiation, but there was, and probably still is, a Cabinet Committee called PSX, public expenditure, to which I was the secretary among my other responsibilities, and so I was witnessing that kind of process. But it became quite a top-down process at that stage, so it is probably true that the coalition is creating slightly more discussion internally, and possibly even externally.

Q12 Robert Neill: Looking at it purely dispassionately going forward, is that perhaps a good thing? If one had a single-party Government, would you say perhaps we should continue with that approach?

Caroline Slocock: I think it is a very good thing to have a more transparent and discussed set of priorities based on evidence. Just because there is more discussion does not necessarily mean that it is based on evidence, or even that it is more transparent, but I think it is certainly helpful if the civil service machine, and hopefully the wider public to a certain degree, is discussing the real issues in an evidence-based way in order to inform those priorities.

Q13 Robert Neill: I have already got the message that one area where you think it has been sensible to be more flexible is around the attitude to ring-fencing, for example. I am sure local government would agree with that, in terms of the social care costs and so on. You need to move some of that money, many would argue, out of health to try to support social care.

Caroline Slocock: Yes, and ring-fencing is an interesting issue. I think budget silos, as they are called by many people who talk about these things, are potentially quite a problem within Government. They are one of the things that block sensible action and sensible investment in early action. Measures that make it possible to move money across in sensible ways in order to achieve early action objectives or sensible policy making are desirable. However, I do think as well that there needs to be some recognition of the value of early action investment, and that can mean treating it separately, and in some cases ring-fencing it; otherwise, in a short-term system, which is the system that we currently have, the danger is that the things that yield benefits in the longer term will be cut back in order to balance the budgets in the short term. The public health budget, in principle, has been a very positive development, and is essentially a ring-fenced budget. It is sensible to protect key investments in our future, such as education. It is sensible in principle, although in practice it may be that more movement between education budgets and other budgets that might affect education budgets might be sensible.

Q14 Robert Neill: Again, that is something that is desirable regardless of the length of the parliamentary term, or anything else.

Caroline Sloccock: Yes, but I think there is a sort of philosophy here that is about investing in the future that goes with long-term planning.

Q15 Robert Neill: It is a much broader point, isn't it?

Caroline Sloccock: Yes. It is about making visible where money is being invested in the future, where it has future benefits and may save future money as well, and encouraging that investment, rather than setting up incentives that mean that those investment funds are basically raided to meet short-term pressures.

Q16 Robert Neill: When I was at CLG, an awful lot of energy went into the departmental business plan. Was that energy well spent, do you think, or was it that important, in terms of long-term planning, as opposed to the spending review? Do you think from your experience that the spending review process and the departmental business plans are genuinely joined up enough or not? Which is more important?

Caroline Sloccock: I am not sure on the last point of how joined up they are. I am just not sure. I have not studied the question, but I do think that spending reviews are extremely important in setting the framework within which other Departments work.

Q17 Robert Neill: They are arguably more important, therefore, than the departmental business plan?

Caroline Sloccock: I think so. There are several reasons for that, one of which is that the Treasury takes a view right across government, and not just central Government—local government and all the spending agencies. A lot of the issues that involve investing in the longer term are cross-cutting. They don't just involve one Department, so it is almost a unique position, together with the Cabinet Office and the Prime Minister, of being able to knock heads together and look at ways in which perhaps money needs to be moved from one area to another. It is interesting that the Treasury probably had quite a hand in the “troubled families” initiative, which is one example of that. The Public Accounts Committee has certainly said that the Treasury should have a leadership role on early action. It ought to be analysing the potential of early action to save money in the future, ought to be doing that now before the next spending review, and ought to be creating incentives and looking at these 10-year spending plans. I think that the spending review is almost a unique opportunity to look at the whole.

The other thing about the Treasury—this is possibly partly influenced by my experience of being in the Treasury, but I think it is a perfectly reasonable point—is that it has a clear responsibility to ensure fiscal sustainability. It must ensure that plans add up over the longer term. It actually says that the spending review is partly for that function. Individual Departments have a tendency to want to press for more money; it is a natural thing, I think. There are so many things to spend money on and there are so many important priorities that they can see clearly. The Treasury, because of its responsibility to make sustainable plans over the longer term, should be looking long term, and should be thinking about those longer-term costs more sharply than any single Department.

Having said all that, I do think that business plans are very important. What if we moved to a world, which I don't think we are remotely at, at the moment, where permanent secretaries appeared before the Public Accounts Committee and were not only closely questioned on whether they had overspent in one year or in some relatively minor—I am not saying it is not important—issue of individual expenditure, but also had to explain why they were not investing in the longer

term, and why they did not have proper plans in place to ensure, for example, that things were being done now to address the problem of rising costs in the health service and that big funding gap, or to address child poverty? If permanent secretaries saw it as their responsibility to balance their budgets and plan for a 10-year horizon, that would be a huge shift in culture. You talked earlier about a political culture, but I think there is also a departmental culture.

Q18 Chair: A couple of things from me, Caroline, before I ask Andrew to come in. You have mentioned the official and the political sides of government. What could be the impact of a fixed five-year Parliament, and therefore a five-year plan or a 10-year plan, on Parliament itself? We are obviously in Parliament, and our job theoretically is to hold the Executive to account at all points. Do you think that would be aided by having this fixed-term Parliament and fixed-term plan?

Caroline Slocock: Possibly, for the same reasons that we were discussing earlier. It creates a bit more stability and makes planning possible. I think it also creates a new opportunity that is not there, except in the fixed-term system, of the run-up to the election and creating an environment to help inform future Governments but also inform the parliamentary debate in that period. In the old days, you never knew when that year before an election takes place was going to be. You could not say, “Let’s do an investigation” or “let’s talk to some people about what might be done in the next Parliament to tackle the problem of ageing and the rising costs of the NHS”, for example. I think it does create that additional opportunity.

Q19 Chair: In a way, you have answered my next follow-up question that Bob led me towards, which is on the final year. Knowing that you have a final year, there is now a framework for debate. We all know that there are 472 days left before the general election. Rather than having 28 days before a snap election, helter-skelter, and party leaders taking the process over, we now have this 400-day-plus period where there could be policy debate that can involve Parliament and individual Members of Parliament, and indeed members of the public and other interested bodies, because we can feed into a process. Will it be able to open out that policy discussion and involve much larger numbers of people?

Caroline Slocock: I think it could and should. There is some very interesting potential here to do so. The fixed term has allowed a much clearer opportunity for this Committee to give a view on how the next spending review might be structured, and to influence that. That is a very positive thing. It is very interesting to reflect on how you could improve the public debate over that key year, and how you could ensure that politicians were better informed and better able to set their own manifestos and political priorities, and to talk about them.

I have a few ideas and thoughts about that myself, which might be useful to talk about. I have heard that in the Netherlands they have quite a formal process—I think the Committee has looked into this—for structuring that final year, which involves their equivalent of the Office for Budget Responsibility setting out the fiscal challenges, so there is a consensus about that. That involves the Netherlands civil service in making available information to help produce manifestos. I think it was Ed Balls who suggested that the OBR might cost manifesto ideas, which in fact is done in one country. I can’t remember which one, offhand; it might even be the same country. I have the details somewhere here. Yes, it is the Netherlands that does that.

You could have something like that, and it seems to me you could play into this the recommendation, which the Treasury appears to have accepted from the Public Accounts Committee, that said that they should look in advance of the spending review at the opportunities of early action and the potential benefits of doing so. They are planning to do that internally, but it would be quite interesting to think whether the Treasury could produce some kind of briefing

material that could be available publicly that might set out some of the major cost drivers, maybe on the back of the Office for Budget Responsibility's fiscal sustainability report, which sets out a lot of this, and maybe on the back of the refined short document from the Office for Budget Responsibility. Maybe the Treasury could set out some analysis of some key areas that might benefit from greater investment and the impact that that could have—the key drivers of future costs, as well as analysis about what you might save by investing in early action.

Q20 Mr Turner: Can you tell me what proportion of expenditure is fixed and what proportion is flexible over three years and 10 years?

Caroline Slocock: I can't tell you precisely. This is more a general question of whether it is possible to tell, as it were. Clearly, the further out you go, the harder it becomes to be firm about certain things. Some items of expenditure are reasonably clear, and in that sense, they are reasonably fixed. For example, pension costs are reasonably clear and reasonably fixed.

Q21 Mr Turner: I realise you cannot give me actual figures, but can you do it to the nearest, say, 10%? I have no idea what we are talking about without those sort of figures.

Caroline Slocock: Let's put it another way. The Office for Budget Responsibility produces a fiscal sustainability report that looks at the next 25 to 50 years, so there are people who can do projections based on things like demographic pressures and other relevant considerations. The further out you go, the harder it becomes to plan firmly, and that is why you could not set 10-year firm plans.

Q22 Mr Turner: If you cannot answer the question now, could you do so in writing afterwards?

Caroline Slocock: I am not sure that I could. Do you want me to say what the precise percentage is? I am not a forecaster, so I do not have the kind of in-depth knowledge to—

Q23 Mr Turner: The problem is, we have to have something to base this on, and at the moment I have no idea. I would like to know whether we are talking about 10% fixed over three years, or 90% over three years.

Caroline Slocock: I am not sure I understand the question; apologies. When you say "fixed", what do you mean?

Mr Turner: I mean you have fixed it—you have made a guarantee to the electorate, who like to know these things, and for that matter, the people spending the money need to know how much will be available in the next three years.

Caroline Slocock: I see. Sorry, I think I misunderstood your question. I am not sure if you know how public expenditure is currently structured.

Mr Turner: No.

Caroline Slocock: Let me just briefly explain that, and then go into the fixed issue. At the moment, as a result of the Labour Government—in fact, I introduced it when I was working in Treasury—we have something called departmental expenditure limits and annually managed expenditure. The concept was that departmental expenditure limits, which is basically expenditure on public

services, would be fixed for three years, because that was the innovation of the incoming Government—to have three-year spending plans, not one-year spending plans. Annually managed expenditure includes those items that tend to either be immovable or go up and down due to cyclical pressures. It includes welfare payments, pensions and things like payments to the European Union. That is not fixed. There are no promises on that, no question of saying, “You can definitely plan on this”; quite the contrary, because it goes up and down. There has been a political debate, which you are probably well aware of, on whether that is the right system or not. Both the Labour opposition and the current Government are going to stick for the present with that split between annually managed expenditure and departmental expenditure limits, but they are trying to reduce the amount of money in annually managed expenditure.

That is the kind of framework in which we are operating here when you are talking about spending plans. You are talking really in relation to planning ahead. You are talking primarily about expenditure on public services, and it is important to give some stability to public services, so that they can simply plan. You can make that period as long as you like, as long as you feel you—

Q24 Mr Turner: But you cannot, because, first, you are talking about “flexible”, and flexible to me is the opposite of planned and, secondly, I do not know how many years it is until it is just waving a hankie in the air and hoping it points in some direction or other. I think we need to know what proportion of expenditure is guaranteed and what proportion is flexible, and it would be very helpful if you could give me that, if necessary after the meeting.

Caroline Slocock: Yes. If it is in terms of the split between departmental expenditure limits and AME, then that is a matter of record.

Q25 Chair: Is the majority at the DEL end, the fixed end?

Caroline Slocock: The majority is at the DEL end, but it is a very significant proportion. I might have the figures here; just a second. That also takes you into the question of how long you could have departmental expenditure limits fixed, and different people will have different views on that, but my view, having worked in Government, is that it is dangerous to fix departmental expenditure for too long.

Q26 Mr Turner: I think in a way you are moving towards answering the question. Once it is flexible, it ceases to be fixed and therefore it is a different kind of plan. What people cannot be clear about is this: even in the three years, if there is a new Government going to come in, they may have completely different views, and then it is tempered because Ministers are told, “You can’t do this, you can’t do that”. On the other hand, if there is a decision, for instance, not to have HS2, that is a huge saving. I am trying to work out which bits are fixed and how fixed they are. I feel that we need that very much.

Chair: Andrew, that is a very helpful point, and we need to go away and think where we might get that information from a bit more accurately to satisfy your question. I think Caroline is saying that a majority of public expenditure is in the fixed end, the DEL end if I can call it that, and a minority is in the AME end—completely flexible. If I may synthesise the arguments—correct me, both of you, if I have got this wrong—there is no such thing as a total plan or total flexibility. Plans, particularly if they are rolling forward for the next five and the next 10 years, will accommodate. They move a little bit every time they are rolled so that, even if you are planning, they can give you the flexibility that you need. Is that a fair summary of where we might be?

Mr Turner: I think the problem is that the public out there, who you are meant to be talking to, do not understand, and I do not understand, so how many other people do not understand? You are right, of course: as we move through the 10 years, it gets firmer, but I am talking about now: can you be clear? The answer is no, we cannot be very clear. The majority of expenditure now, over the first three years, is DEL, as I think you called it, but up at the far end, it is a much smaller proportion—or are you saying this has to be fixed even at the far end of the 10 years?

Caroline Slocock: No, I am not. Can I explain, because it is not straightforward, and I think it would help if I explained what I have in mind?

Mr Turner: Yes.

Caroline Slocock: It is modelled on what we have already, in that what we have post-1997 with the incoming Government is a period of longer-term plans, with a rolling element. What was introduced in 1997 was three-year plans where the third year was revisited in another spending review—in the first year of the next three-year plan. What we had in mind with the 10-year perspective is a period within the 10 years that is relatively fixed but is reviewed on a rolling basis. It could be three years. In my view, it probably ought to be about three years and no longer, because I think it is very difficult to set five-year fixed plans. There are too many uncertainties; too many things change. It could be three years. You could set relatively fixed three-year plans, but within that, two years would be absolutely fixed, subject to any change of Government. You would have to change it then, but actually incoming Governments have tended to stick with the overall spending plans of the previous Government in recent years.

You might have two years that were fixed and the third year revisited, so you do your planning every two years. You have the ability to build in quite a lot of flexibility, but every time you set your two to three-year plans, you project. You are basically doing a projection, but an informed projection that is looking at the consequences of what you are doing. If you introduce a new programme to reduce poverty, you would be able to factor in the implications of that over a 10-year period. Each time you revisit your plans, every two years, you would project forward for the full two years plus eight years, which would be 10 years. It would be like driving a car. You do not, driving a car, look at the road directly in front of you; you look at the future, because otherwise you would not be maintaining good direction, and you would not get where you wanted to go, ultimately.

Q27 Mr Turner: But also you can drive fast or you can drive slow. Maybe the present Government and the past Governments are not very different, but they could be spending a great deal more or a great deal less. How much of those decisions are fixed and how much movable?

Caroline Slocock: It would be up to the Government of the day. Each Government will have a view about what is fiscally sustainable. This Government has such a view. The problem at the moment is that it is driving a car and only looking 20 yards ahead. Fiscal sustainability is something that is achieved over a longer period of time. It is not just a question of how much we are overdrawn now; it is the whole debt, and it is the consequences of policy. In order to ensure that it is fiscally sustainable, it has set up the Office for Budget Responsibility, which among other things looks at its fiscal sustainability, and it has said—not a lot of people are paying attention to it—in its annual report that the plans do not add up over the longer term. If you are going to have planning that enables you to think about that longer term, and probably correct a little bit for the natural short-termism of elected Governments who are only thinking a few years ahead, arguably—that may be a bit unfair to politicians, but there is an element of that, I think—then you have a system that publishes and makes transparent to people such as yourself what are the best projections, based on the best available information, of the impact of those plans over a longer

period of time, and do they add up over a longer period of time. But you also have that constant revisiting, so that you can flex in changes of circumstances and Government.

There are two things going on here. One is giving stability, and one is a longer-term perspective, investing in the future, and not just having policies that burn up resources now and do not save them for the future. They are two separate questions, and I think they often get confused. Stability is an important thing. It is important for public policies to be able to plan ahead, but they have to live with the world in which we work, which involves shocks, financial and otherwise, and changes of Government, but within that framework it is valuable to give them a reasonable perspective. I have been an accounting officer, a chief executive of a public body that was funded by Government. That was not that long ago, but we often had our budget fixed three or four months into the current financial year. That is not really a very good way to run Governments, but I think it is probably still going on in some parts of the public sector. You do want to try to get a few years that are relatively firm, that can give you some certainty on which to plan.

Q28 Fabian Hamilton: In our previous report, we called on the Government “to produce a rolling five-year Spending Review, which is aligned more tightly to the fixed term, so that Departments can plan as effectively as possible.” What scope do you think there is for future spending reviews to mirror more closely the term of Parliament, now that it is actually set by statute for five years?

Caroline Slocock: I think it follows from everything I have said that it is more positive to take a longer-term perspective, and also to give some stability. The danger of aligning it exactly with fixed terms is that you fall off a cliff edge. We are on a bit of a cliff edge at the moment, because you have only one-year spending pencilled in for the future, and the Government had to produce that one-year spending plan quite late in the day, although perhaps a bit earlier than it absolutely had to. I think there is a danger, if it fits too neatly into your five-year fixed term, of being quite counter-productive, even though on first sight it ticks quite a few boxes. At the beginning it ticks some good boxes—it is a longer-term plan and it provides some stability—but as you run through the fixed term, it starts to score very badly on those boxes. I do not think you specified in your report exactly how that plan would roll, and the Government has not rolled it in quite the way that you perhaps might have envisaged. You might have expected them to revisit the four-year plan from 2010 and have another four-year plan that went over the fixed term, but they have not done that. Thinking about this for the future, I would encourage the Committee to think about what that rolling actually means and also think about the two separate issues—stability, and creating incentives for Governments to think over the long term.

Q29 Fabian Hamilton: I was going to ask you what format you would like to see for future spending reviews, but I think you have more or less outlined that. Can I move to the issue of early elections? As you know, the Fixed-term Parliaments Act 2011 does include provision for early elections in certain circumstances, as of course it had to. What impact do you feel an election being held before the end of Parliament’s full five-year term might have on fiscal planning?

Caroline Slocock: I think the main thing is that it would reduce the opportunity to do some of the things that we talked about earlier, which I think would be a really interesting development—to have a quite considered and open period of discussion and planning for the future, in which all parties were given good information and able to think ahead. The other thing that perhaps has not come out of that discussion, which is important, is that it is not just about parliamentarians and the public having better information to inform better manifestos. There is also a need for the civil service and public servants to spend some time planning ahead for their own internal next spending review, and the more notice they have for that, the better. If you have a sudden election, then you

have less notice. There are all sorts of things going on in the civil service now. I know that Treasury, for example, is thinking about the next spending review and other Departments will be doing that, too. They will be thinking about an incoming Government and what the priorities might be and how to brief them. If you have a sudden election, that process is truncated, and if an incoming Government then sets a firm five-year plan, there is a very great likelihood that it will be ill informed and therefore not a very good plan.

Q30 Fabian Hamilton: I am aware that civil servants meet with Opposition spokespeople in a short period before an election is expected, or have done in the past, but surely the fixed-term Parliament could allow a much longer period, up to a year maybe. Do you think that is feasible? Would that be possible? Would civil servants or the Government of the day be willing even to allow that?

Caroline Slocock: I think they might be very wary on both sides—civil servants and Government—because of the danger of in some way it becoming quite political. Civil servants are very close to their Ministers, and they have all sorts of information that might be imparted in a perfectly neutral way that the Ministers might think could be used against them in an election. I cannot remember what the rules are at the moment, but they are quite restrictive, as to how civil servants can communicate with parliamentarians. I think there is a lot of inhibition.

Q31 Fabian Hamilton: Isn't it time to remove that inhibition?

Caroline Slocock: Yes, I think it is, but it would be good to put it in a wider framework. Simply saying, "I think it is a very good thing that civil servants should be briefing politicians" would receive some kind of standard answer that would add up to "no" from the Government of the day. If you put it in a more constitutional framework of better planning, longer-term planning and using the fixed-term framework to full advantage, because it does give that special planning year that we do not normally have, and put some parameters around it, so that civil servants knew what they were doing—for example, the Treasury might produce an analysis of the main drivers of spending and the potential benefits of investment in early action, and make that available to all parties—that is quite a contained exercise that is slightly different to just having more informal discussions.

Q32 Fabian Hamilton: Are you happy with the current relationship between civil servants and parliamentarians, especially senior civil servants? Is it a healthy relationship?

Caroline Slocock: I am not close enough. I am not a civil servant now and I am not close enough to comment on that.

Q33 Fabian Hamilton: One of the criticisms that we, as politicians, always get from the public is, "You politicians only think in five-year terms or four-year terms—in other words, the term of one Parliament. You can't think beyond that, you can't plan for the future, and the biggest problem is we don't have any forward planning; we don't look 15 or 20 years ahead." Is that a legitimate criticism, and is there anything you think we could do about it?

Caroline Slocock: I think it is true that short-termism is a major problem in our public processes. I don't think it is just politicians who are to blame. It is important to recognise that civil servants and public servants are probably pretty poor at planning ahead, too. They lack information and are not necessarily rewarded for taking that longer-term perspective. There is a need to build analytical tools. There was a time when capital expenditure was planned on a much shorter time horizon and

appraisal tools were quite poorly developed. They have become better over time. There seems to be a similar revolution in the way in which we think about planning for non-capital items.

There is a need to get better information—What Works centres are one example of that—and to get better planning tools within the public service, but they do also take their marching orders from politicians, and politicians do have quite short-term horizons. They are thinking about elections, there is no two ways about it, not exclusively, but they are also dealing with the issues of the day, the issues that people really care about, and those issues are not bounded by electoral cycles. I think people probably notice. It is one of the reasons, perhaps, why people are increasingly losing interest in politics and politicians. Trust and engagement in politics and politicians is falling hugely, especially among people of lower socio-economic groups. One of the reasons is that the whole political discourse and debate is so short term, so knockabout, it is not dealing with the real issues on the ground that people are seeing, whether it is the future of their children, the future of their health or the future of their communities. I think there is a need for politicians to change that, and they would benefit because they would be better at what they do and better at engaging with the public.

One of the things you have not mentioned, which is perhaps interesting, about this current fixed term—and I think the reason for it is that we have a coalition Government—is that coalitions are creating a new dynamic as well. There is a need to not just do what Parliament does at Question Time, which is sort of shout at each other, but to work across political boundaries and find some solutions. It is not inevitable, although I think possibly the current political paradigm makes it seem inevitable, that politicians have to be quite so short term. There are some very good examples where politicians have not been short term and it is worth reflecting on a few of those.

Q34 Fabian Hamilton: I was going to ask you whether we can learn from other countries.

Caroline Slocock: Quite possibly, but I am not a sufficient expert to say, although there may be some models for the Office for Budget Responsibility that could be applied that perhaps we will come back to. I just wanted to say that I think there have been some good examples of Governments planning and thinking ahead beyond narrow electoral planning horizons.

Fabian Hamilton: For example?

Caroline Slocock: I am thinking about pensions. There was a big debate, and important reviews commissioned under the last Government, that opened up a broader public debate beyond any political party or electoral cycle, and there have been changes to the pensions system as a result. In social care, the Dilnot review has opened a bit more of a consensus on some issues. Although I am sure you could argue exhaustively about the details of this, I think the Stern review on global warming and climate change established a relative consensus across the political parties that these things were important and action was needed, and Governments have committed to targets that go beyond any one Government. They are characterised by recognising a big driver of future costs or social problems, commissioning reviews that involve a wide range of stakeholders and an intense evidence base.

Q35 Fabian Hamilton: But isn't the problem that no one ever knows about these long-term issues, the Stern review or the pensions review? The former chair of the Work and Pensions Select Committee and former MP for Bradford North, Terry Rooney, told me not long after the last Labour Government passed one of its pensions Bills into law that it was a very good Bill and a very good Act of Parliament, but nobody would thank us for another 40 years, because the effect of it will not happen until 30 or 40 years' time, and no one knows about it.

Caroline Slocock: There is a terrifically important issue here about informing the public debate, about getting a different public debate. Closing hospitals is a classic one: there are all sorts of reasons for closing hospitals, in terms of investing more effectively in the health service, but local communities do not want it. In order to change that debate, you need to involve parliamentarians and others in trying to inform that debate more effectively. I do not think these things are easy, but if they have to be addressed, then the best way of doing it is commissioning work that gives a good evidence base. It is getting some experienced experts who work across political parties to create a consensus—maybe just an informed consensus in the House, but ideally a wider, public, informed consensus.

People are talking about pensions. My observation as a human being in Britain is that people talk about pensions very differently than they did in my youth, when you just did not talk about it at all. Green issues are an absolute case in point; the debate has changed hugely as a result of these sorts of things. There are things that should be done, and I think there are things that could be done in the run-up to the next election, getting Select Committees engaged in some of the big issues, giving their thoughts. They are cross-party groups themselves. They could be a powerful force in picking up some of these big issues and giving some kind of pointers.

Just to come back to the Office for Budget Responsibility, there are different models in different countries, I understand, though I am not an expert on it. I have simply read what Robert Chote has said about it in one of his speeches. There are different models, and some of them are more engaged in critiquing and suggesting different policies over a longer-term time horizon. For example, in Canada and America, it is a somewhat different model. There are potentially in other countries some different things to look at, but I cannot claim to have looked at them myself in depth.

Fabian Hamilton: Countries that have constitutions. Anyway, thank you, Chair.

Chair: Andrew, did you want to come back on anything?

Q36 Mr Turner: Yes. It appears that we think we ought to be thanked. Do you think we ought to be thanked?

Caroline Slocock: What, you ought to be thanked?

Mr Turner: Yes.

Caroline Slocock: Yes.

Q37 Mr Turner: You do? I must say I do not feel any demand to be thanked. We are doing the things that matter because they are points of difference, rather than because everybody is happier and we have a jolly good pension or whatever it is. What I was going to ask you was, how can parties be encouraged to consider issues important to long-term planning ahead of the next election?

Caroline Slocock: Well, perhaps just picking up some of the things I have said earlier—because I think they all play into that—getting the right information out there to parliamentarians and the wider public is the key. The facts matter. They matter hugely, but they are often much disputed, before and during elections. Getting some experts to set some of the bedrock realities for everyone in the run-up to an election would be helpful. It would also be helpful because what happens when Governments get elected is that they come in and they take their manifesto commitments and they put them into spending plans almost immediately. Those manifesto commitments are incredibly important to the next spending review. You could get those facts out there in a number of different ways, and you probably need a number of different strategies. It would be useful to take the fiscal

sustainability report, which flags up some of these big issues, like lack of affordability of social care and the health service, given the demographics, and the rising cost of the welfare budget; they are out there in the political domain to a certain degree, but they are very starkly set out in that report. It would be useful to do some work—perhaps commission studies from the Treasury, external experts, Select Committees, or a mix of those, to look at what the key political issues are that need to be resolved. We could do that, not necessarily to come up with an agreed set of policies, but to try to create some kind of consensus about these problems we are trying to solve.

Q38 Mr Turner: Yes, but consensus does not exist. Let us take immigration, for example. We did not know anything about the number of people coming to this country until, I would guess, 2005, and then it suddenly struck me—among lots of others, I am sure—that we are creating two towns the size of Birmingham over 10 years. The other party does not want to mention those things. What does one do? Are you suggesting it should be a requirement that it happens, even though one of the parties does not want that information discussed?

Caroline Slocock: It would be interesting to consider whether the Office for Budget Responsibility, within its current remit, which is quite constrained, could provide a short digest of some of the key drivers of costs over the future. Whether or not immigration is one of those key drivers is an interesting issue, one that is not covered in the report. They are looking at demographics, which may include—I do not know, I have not looked at it—some of the issues that you are talking about, because the demographics are shifting quite considerably.

Q39 Chair: Presumably, Caroline, there will be costs and benefits, as in extra income tax generated by people who come here to work and so on.

Caroline Slocock: Yes; their forecasting, I imagine, will have looked at these issues. They could try to set out a framework that cannot really be argued with. You can argue about whether they have done their forecasting correctly and all that sort of thing, but what you cannot say is that it is politically driven, because they are not; they are a completely independent force set up by Parliament to provide information. I think it is quite helpful. The Office for National Statistics is obviously another such organisation, but they are producing great rafts of statistics. What you need, in a way, is to see some wood for the trees.

Q40 Mr Turner: The problem, as I recall, was that the figures were not collected.

Caroline Slocock: Yes.

Mr Turner: Would this new organisation, the Office for Budget Responsibility or whatever, be free to get—

Caroline Slocock: No. It would rely on what data are there. There are circumstances—whether immigration is one or not I do not want to get into particularly—where the data just are not there, but then that is something that can be identified, too. That seems to me to be an important thing. If there was some key information missing, or some key uncertainties where further work might be valuable, that is the sort of thing that—I am not sure what the Office for Budget Responsibility would say about this—in my theoretical model, it or a similar body could flag up.

A requirement for an incoming Government, or at least a glaring necessity for an incoming Government, according to what was out in the public domain, would be to commission some better data. Indeed, the civil service presumably would be sitting up and doing something about it. In the

case of migration, though I am not an expert in the detail of the statistics, it was probably how things were being recorded at borders—net figures and so forth. I am sure lots of complex issues apply. Anyway, the broad point is that if everyone thought that the business of planning ahead based on better information was important and there was a better structure for doing that, taking advantage of this last year of a fixed-term Parliament that we have—that great opportunity—then we would get better at doing these things. The first time we did it, we would not be very good, but you would get better and better at it. If Government set 10-year plans with a fixed-term element in it of three, possibly five years, though I personally think that is too long, if they did that as routine and published those estimates, the initial estimates might not be very good, but they would get better and better because they would be judged on them. People would see over a period of time. At the moment, that just does not happen, so we are very poor at it. The analogy, the similar kind of situation, is capital expenditure, where Government has got a lot better at thinking about appraising the benefits and future costs of capital expenditure. It is not brilliant at it, but it is a lot better than it used to be, and I think it would be here.

Mr Turner: Thank you very much.

Q41 Chair: You have made me think about a lot of things this morning, Caroline, but particularly something I had not thought about in such detail as I ought, which is that in May, we will be in the last year. That is certain. For the first time ever, there will be, some may say, opportunities or problems, but we will be in a situation where we will be into that last year. Picking up on Andrew's question, we will then be able to frame debate around policy options in the last year of a Government for the first time ever, because we will know we are in the last year of the Government. We, of course, will be writing a report, making recommendations, and so on. Are there things that we ought to be doing in order to take up the points that Andrew very pertinently mentioned about the supply of information, what needs to be in the public domain, how civil servants should interact with political parties, how those debates might be better informed, so that the numbers are there for MPs and, indeed, members of the public?

Caroline Slocock: I think so, yes. I was looking at a report that I mentioned earlier produced by the Lords Committee on Public Service and Demographic Change. It put out a report in March 2013 called *Ready for Ageing?* I will just read these out, because it is a kind of worked model. One of its recommendations was, "The health and social care systems also have to plan more systematically for changing long-term needs, so the Government should consider introducing a 10-year spending envelope for the NHS and publicly funded social care." Then the next one is, "The Government must set out the framework for radically transformed healthcare to care for our ageing population before the general election in 2015. All political parties should be expected to issue position papers on the future of health and social care within 18 months, and address these issues explicitly in their manifestos for the 2015 election." Well, we are running out of time there.

It is quite an interesting model. They have already come up with some recommendations there around the health and social care issue, but you could take similar big issues and ask for the Government to set out some kind of framework for what is currently going to be happening. If nothing else is changing, what would be happening in this area over the next, let us say, 10 years, or the next five years, even? Five years would be a big advance. Then the political parties ought to be able to say what they are planning to do in the light of that. Each Select Committee in key areas could be encouraging that kind of analysis. There are some very obvious big issues, of which the ageing population is one, and the welfare budget is highly politically charged. Whatever you think about whether it should be in the spotlight, it is an important budget. To my mind, the debate is too narrowly focused on reducing individual welfare payments and not sufficiently focused on what action might be taken in other parts of Government, outside of that rather peculiar AME budget that I mentioned earlier—the one that is not fixed—about what can be done in public services to reduce the cost of welfare through preventative early action. It would be quite interesting to

commission some work from the Government about its projections for the rising costs of welfare and annually managed expenditure, and what preventative steps there currently are to reduce the need for welfare support because it no longer becomes necessary, and then for each political party to put out their own proposals for what they would do to reduce welfare dependency, effectively, as opposed to use of welfare payments.

On particular topic areas, I think you could do that, but your particular locus and area of expertise is the constitutional element of it. I think it is about having a debate, rapidly, I guess, given the fact that the year is almost upon us, and engaging with the Government and with the civil service. Perhaps it is worth talking to the Office for Budget Responsibility, though they may feel rather constrained. They may feel Parliament tells it what to do and, therefore, it can only do what Parliament tells it; well, it does feel that. Engaging with them to try to create this framework, and encouraging the Treasury to produce this published paper that shows the potential benefits of early action and the potential costs of inaction—which is just as important to my mind—if they were to do it and put it in the public domain it would be a very powerful thing. It would put the early action issues more squarely into the agenda of future manifestos and the political debate in the run-up to the election, and would encourage that longer-term planning that I think is so important.

Q42 Chair: Another inquiry we are running concurrently is about voter participation. I cannot imagine anything more likely to turn voters off than the traditional 28-day shouting match that we pass as a general election. No doubt, that may happen anyway, but if there is informed policy discussion and, who knows, parties agreeing on 80% of the agenda on particular things, and quite rightly having a different philosophical perspective on the other 20%, that might encourage more people to engage in the political process rather than less.

Caroline Slocock: I think so. It is one of the most shocking things of our times that there is such profound disengagement, not just with political parties but with the political process. If you look at the data, which I expect you have, from the Hansard Society's *Audit of Political Engagement*, and you particularly look at different social classes, I think 58% of people say they are not interested in politics. If you look at social classes—I will not quote the figures because I will probably get them wrong—there is a massive disparity between social classes A and B and lower socio-economic groups, D and E, with only a tiny fraction of people in lower socio-economic groups taking an interest and being engaged in the political process. Something fundamental is going wrong here.

I have heard, in talking to politicians, a phrase that is commonly used, I believe—I have been told anyway—which is “the retail offer”. That is another thing: people do not like the knockabout conflict that they observe in Parliament. Politicians also think that they have to come up with short-term policies. I have heard politicians tell me about this. They have said, “We absolutely agree that we should be looking at the longer term, but the trouble is that the electorate are only interested in that retail offer, that short-term policy, that one thing we can promise that is going to make a difference to their lives over the next 12 months”. My personal view is that the electorate are a good deal more discerning than that, and that a political debate should focus on some of the things that really affect them, as I said before—their children, their old age, their community; these are things that you do not fix by one retail offer.

Q43 Chair: That takes us on to our other inquiry in so many different ways, and there is a definite spill-over there. Caroline, thank you very much. Are there any last things left unsaid? You are obviously perfectly entitled to drop us a line anyway about anything else that occurs to you, but is there anything you want to say before we close?

Caroline Slocock: I would like to make one point, which is just a general observation. It is so easy to underestimate the importance of some of these hidden incentives in Government, like planning over a longer period of time. They sound a bit boring and technical. I do not suppose anyone out there on the street knows whether we have three-year plans, five-year plans or 10-year plans, and they probably never will. The thing is I think these things do make a real difference, having worked in Government myself.

One of the things that I did for the work of the task force when it produced its first report, which was called *The Triple Dividend*, is look at a whole series of very important reviews that were commissioned under this and the last Government: the Field review; the Allen reviews; the Jim Rose review on dyslexia; the two Wanless reviews on health, 2002 and 2004; the *Our Health, Our Care, Our Say* 2006 White Paper committing to shift spending to prevention; *No Health Without Mental Health*; *Breaking the Cycle*; Lord Bradley's review on people with mental health problems in prisons; the Stern review on climate change. These are all excellent things and I commended them to you earlier. They are very positive. Even if you have them, if you do not get the incentives right, the danger is that everyone will agree with them, but then nothing will happen.

Derek Wanless wrote two reviews on tackling health inequalities, and many years ago flagged up the rising costs of the health service and the fact that it was a time bomb and action was needed. After his second review, which said we need to invest to head off these mounting costs, he said, "Rigorous implementation of identified solutions has often been sadly lacking", referring to many other reviews. "We must recognise and tackle the barriers, align the incentives and, first and foremost, we must win hearts and minds." What he was getting to was this cultural planning set of issues. Seeing the things that you need to do is one thing, and that is important in getting consensus around it, but even when politicians agree that something should be done, these things tend not to happen if you do not get the incentives right. Longer-term planning, action to move money across silos, protecting investment in early action, surfacing it and making it obvious—these things are technical, but they really would make a difference.

Chair: Excellent. Caroline, thank you very much for your help this morning. It will be of great assistance to us in drafting our report. Thank you so much for coming along. Colleagues, thank you very much for helping me this morning with so many people away.