



Treasury Committee

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1 March 2014

Dear Robert,

Thank you for your very thoughtful and interesting letter of 15 January setting out how the OBR might approach the task of costing the spending plans of political parties at general elections.

You underline the importance of careful planning and adequate resourcing if you were to undertake this task, and you warn that rushing into this exercise for the 2015 election could be very disruptive for the parties and damaging to the OBR. You have previously said that legislative change would be needed. In addition, political parties would need to sign up to the arrangements and there would need to be time for the OBR to prepare properly for the difficult technical work in what is bound to be a pressurised environment. If it were attempted but did not go well, a rushed exercise in 2015 might, you point out, risk undermining support for the idea in the longer term.

It is regrettable that the recommendation of the Treasury Committee in 2010, that the OBR should be allowed by legislation to conduct work on the fiscal policies of political parties, was not accepted. As you know, I have personally been keen for many years that there should be independent assessment of parties' fiscal plans. Like you, I believe that this would inform public debate and improve policy development by parties.

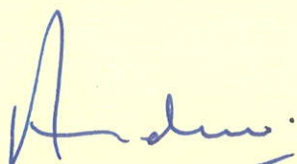
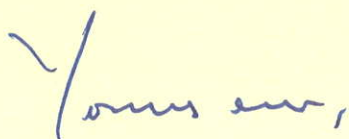
There is a strong case, however, for work to begin now to develop a scheme so that Parliament can be presented with comprehensive proposals—including for legislative changes—as soon as practicable after the 2015 election. This will give the best chance of putting a system in place for the election in 2020. It would be very helpful if the three main UK political parties made clear that they are content for you to undertake this preparatory work. I suggest that you approach them in the near future. I will write to them in similar terms.

Your letter points out a number of the key principles that would need to inform thinking about how to carry out such a costing exercise. These include: ensuring that parties do not game the system for their own benefit; having a basis for deciding which parties should be able to have their policies certified; ensuring that parties in and outside government are treated even-handedly; and making the process as transparent as possible.

The first of these, preventing gaming of the system, will require the most care and will be the most important for the system to be durable. And the most important aspect of this, upon which clarity will be needed, is what should be costed by the OBR, and how to treat spending commitments that have either not been submitted for costing or where the information provided has not met the OBR's specifications. As you imply, a system with clear ground rules will also place discipline upon parties before making policy promises that could have a price tag.

The new system must be robust enough to give confidence that parties have not evaded proper scrutiny. They might attempt to do this by submitting a small number of proposals to the OBR for certification, while seeking to attract support with other commitments that you are not able to examine or cost. The OBR's involvement in such circumstances would not just be pointless; it could be misleading and counterproductive. On page 5 you suggest that, in order to deter this, you would be able to point out publicly that a party's measure had not been certified by the OBR, and that you could also go further, explaining why a policy had not been certified. The latter is an essential minimum. The OBR must be able to examine all public statements by parties with a cost implication, not just those specifically submitted to you. The OBR should then in each case either cost them or explain what information it would need in order to reach a judgement about their cost.

I will be placing your letter, and this reply, in the public domain.



ANDREW TYRIE
CHAIRMAN OF THE TREASURY COMMITTEE