



House of Commons
Treasury Committee

Appointment of Robert Chote as Chair of the Office for Budget Responsibility

Third 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.

Committee staff

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

Contacts

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Summary

We consider that personal independence and professional competence are the criteria we should use in assessing the suitability of the proposed Chair of the OBR. Personal independence is particularly important in this post. The close association between the Government's budget and the work done by the OBR means that the integrity and independence of the Chair must be beyond question if the OBR is to fulfil its purpose of increasing confidence in the statistics produced by government, and the economic analyses underlying policy decisions.

We consider it particularly important that the Chair of the OBR should have the approval of the Committee. Involving this Committee in the appointment process is a significant step in ensuring that the preferred candidate is indeed independent.

We are satisfied that Robert Chote has the professional competence and personal independence to be Chair of the OBR. We wish him every success in his new role.

1 The conduct of OBR appointment hearings

1. The Chancellor wrote to the Chairman on 8 September 2010 that his preferred candidate to be Chair of the OBR was Robert Chote, but invited the Committee to conduct a pre-appointment hearing, saying that he would not appoint a candidate who was judged unsuitable by the Treasury Committee.¹ We took evidence from Mr Chote on 16 September. This will be published shortly, together with Mr Chote's answers to our questionnaire and his *curriculum vitae*.

Professional competence and personal independence

2. This Report is concerned solely with whether we consider the Chancellor's preferred candidate to be suitable as Chair of the Office for Budget Responsibility. Our report on the structure of the future OBR will be published very shortly.

3. The practice of select committees holding appointment hearings was initiated by the previous Treasury Committee following the creation of the Monetary Policy Committee (MPC) in 1997.

4. In 2007 the *Governance of Britain* Green Paper proposed pre-appointment hearings by select committees for a range of government appointments.² Following correspondence between the then Liaison Committee and the Government, a list of posts subject to pre-appointment hearings was agreed along with guidelines governing how they operate.³ Pre-appointment hearings operating under these guidelines are advisory: the Committee's findings are not binding on the Government. Pre-appointment hearings under these guidelines assess candidates on the basis of personal independence and professional competence—the same criteria that we use to assess MPC appointees.

5. As the Chancellor said in the letter to our Chairman announcing his preferred candidate, the OBR was created “to make independent assessments of public finances and the economy, the public sector balance sheet and fiscal sustainability.” The OBR Chair needs both the professional competence to make those assessments, and the personal credibility to ensure that they are seen as independent.

6. We consider that personal independence and professional competence are the criteria we should use in assessing the suitability of the proposed Chair of the OBR. Personal independence is particularly important in this post. The close association between the Government's budget and the work done by the OBR means that the integrity and independence of the Chair must be beyond question if the OBR is to fulfil

¹ http://www.hm-treasury.gov.uk/press_43_10.htm

² *The Governance of Britain*, Cm 7170, July 2007

³ Liaison Committee, First Report of Session 2007–08, *Pre-appointment hearings by select committees*, HC 384

its purpose of increasing confidence in the statistics produced by government, and the economic analyses underlying policy decisions.

The Committee's veto

7. The Chancellor of the Exchequer announced the creation of the Office for Budget Responsibility (OBR) on 17 May 2010. Appearing before this Committee on 15 July the Chancellor said:

What I would propose to do, of course subject to your approval, is to give this Select Committee a veto on the person nominated by the Chancellor of the day. I think this will be the first time that any select committee has ever had a veto on an appointment. Obviously it is entirely up to you whether you will want to take up that offer, and if you deem it appropriate it will be put in the statute which I propose to present to Parliament later this autumn because I want there to be absolutely no doubt that this is an independent body, that this person has the support and approval of the Treasury Select Committee in undertaking that work, that they come here to give evidence.⁴

The ability to veto the Chancellor's nomination to the Chair of the OBR is a major increase in our powers, and we welcome it. **We consider it particularly important that the Chair of the OBR should have the approval of the Committee. Involving this Committee in the appointment process is a significant step in ensuring that the preferred candidate is indeed independent.**

⁴ Treasury Committee, First Report of Session 2010–11, *June 2010 Budget*, HC 350, Q 213

2 The Chancellor's preferred candidate

Background on Robert Chote

8. Mr Chote has been director of the Institute for Fiscal Studies (IFS) for eight years. Prior to his appointment to the IFS in 2002, he was an advisor to the First Deputy Managing Director of the International Monetary Fund. Before this he was Economics Editor at the *Financial Times*. He holds a Masters in International Public Policy from Johns Hopkins University and a BA in Economics from Cambridge University. Mr Chote has appeared before the Treasury Committee on numerous occasions during his time as Director of the IFS.

Our evidence

9. In oral evidence, we questioned Mr Chote about his personal suitability for the post, the issues facing the new OBR, and how he saw himself responding to those issues. Topics we questioned Mr Chote about included:

- Mr Chote's intention to serve his full term;
- independence, and how confidence in independence can be maintained;
- political impartiality;
- the OBR's relationship with the Chancellor of the Exchequer, the Treasury, Parliament and the public;
- the OBR's resources;
- the role of the Chair of the OBR;
- skills needed by the BRC and OBR;
- uncertainty in forecasts;
- relationship with independent forecasters;
- relationship between OBR and Bank of England forecasts;
- the OBR's work programme;
- the models used for forecasting; and
- ownership of forecasting models.

Conclusions

10. We are satisfied that Robert Chote has the professional competence and personal independence to be Chair of the OBR. We wish him every success in his new role.

Formal Minutes

Thursday 16 September 2010

Afternoon sitting

Members present:

Mr Andrew Tyrie, in the Chair

Michael Fallon
Mark Garnier
Stewart Hosie
Andrea Leadsom

Mr Andrew Love
Mr George Mudie
David Rutley
Mr Chuka Umunna

Draft Report (*Appointment of Robert Chote as Chair of the Office for Budget Responsibility*), 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.

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

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

[Adjourned till Tuesday 12 October at 9.30 am]

Witness

Thursday 16 September 2010

Robert Chote, Director, Institute for Fiscal Studies

List of written evidence

Robert Chote: Response to Treasury Committee Questionnaire

List of Reports from the Committee during the current Parliament

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

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