



Best Practice in Parliamentary Budget Scrutiny

Historically, there has been a lack of literature or documented experience on the role of legislatures in the budget process. However, in the past decade this has started to change, with increasing interest on the part of organisations like the OECD, the World Bank, and other groups like the [International Budget Partnership](#) and the [Commonwealth Parliamentary Association](#), who see effective budget scrutiny as an indicator of good governance, and governmental transparency.

The literature highlights the important role played by legislatures in ensuring fiscal discipline, whilst also providing for executive accountability to Parliament and wider civil society over how resources are raised and allocated. The [OECD Principles of Budgetary Governance](#) (2015a) states:

“the national parliament has a fundamental role in authorising budget decisions and in holding governments to account”

and that governments should:

“provide for an inclusive, participative and realistic debate on budget choices, by offering opportunities for parliament and its committees to engage with the budget process at all key stages of the budget cycle, both ex ante and ex post as appropriate.”

Given the letter from the Cabinet Secretary to the Finance Committee of 23 June which discussed the timing of the Draft Budget publication, the main focus of this paper relates to what the comparative literature has to say on the amount of time allocated to budget scrutiny. It then briefly summarises the existing Scottish budget process. It concludes with a summary table of some of the key factors in international budget scrutiny best practice and attempts to assess where the Scottish process sits.

Time allocated to Budget scrutiny

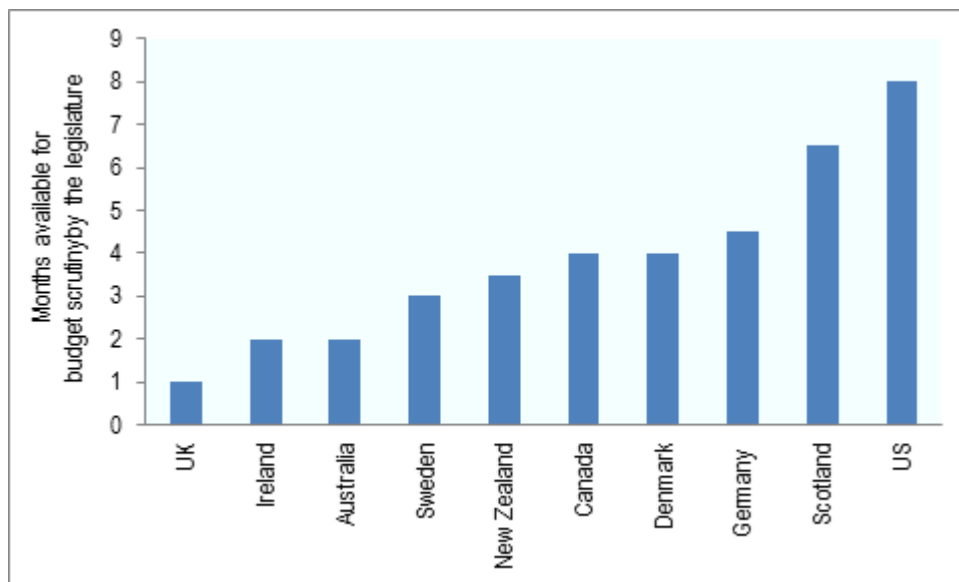
The literature emphasises the importance of the timing of the initial draft budget. International experience suggests a minimum of three or four months is required for legislative approval of the budget, based on meaningful analysis and scrutiny (Wehner 2004). The process also needs to factor in parliamentary recesses into scrutiny timetables.

The OECD (2016) is of the view that the time available for budgetary scrutiny is a “proxy for the quality, intensity and impact of parliamentary engagement”.

The OECD Best Practices for Budget Transparency (2002) state that “the government’s draft budget should be submitted to Parliament far enough in advance to allow parliament to review it properly”. The Scottish process was designed to allow far more parliamentary scrutiny and influence than is the case at Westminster, where a budget is presented to Parliament in March, less than a month in advance of the start of the financial year, with the spending plans not formally authorised by Parliament until the new financial year has started. Indeed the UK is one of the few legislatures in the OECD where spending plans are not authorised prior to the start of the budget year.

Figure 1 below presents a selection of OECD countries and the time available for budget scrutiny

Figure 1: Time available for legislative budget scrutiny across comparator countries



Source: OECD (2012, 2016)

Figure 1 shows that Scotland has more time available for budget scrutiny compared to some of the Westminster style parliaments (like the UK, Ireland, and Australia), where parliamentary engagement and oversight is seen in the literature as lacking (Wehner, 2010). Given the OECD view that the time available for budget scrutiny is a “proxy for the quality, intensity and impact of parliamentary engagement”, the logic of this would suggest that the OECD would view a reduction in time available for parliamentary scrutiny as adversely impacting on how meaningful and impactful budget scrutiny is.

It is worth noting that some countries at the lower end of the scale in figure 1, like Ireland, are taking steps to strengthen their processes. The Irish Parliament has recently commissioned the OECD to consider the existing Irish Budget model and make recommendations on how it might be improved (OECD, 2015b). The House of Commons Procedure Committee is also currently undertaking an inquiry into House of Commons procedures for

examining the Estimates (which are the formal requests for authorisation of expenditure made to the House of Commons by the Government), and the passing of the legislation which authorises this expenditure. The OECD gave written and oral evidence to this inquiry suggesting that the time available for Parliamentary scrutiny of the UK Government's budget proposals was insufficient (OECD, 2016).

The Finance Committee at the Welsh assembly has also recently considered its budget process and the time available for scrutiny of Government spending plans. In Wales, the Draft Budget is published in September, with the final Budget motion authorising spend for the following financial year passed in December. This leaves three months for scrutiny of the Government's spending plans. This gives the subject committees in Wales quite a limited timeframe for scrutiny of their respective spending portfolios. The Welsh Assembly Finance Committee commented on this issue in the following terms:

“The Committee has noted that the existing constrained timetable has resulted in budget scrutiny in the Assembly being centred around the Finance Committee and Finance Minister. Other Ministers are responsible for detailed spending plans within their overall allocations but the tight timetable prevents adequate scrutiny of those plans by the relevant subject committees” (National Assembly for Wales Finance Committee 2015).

The Scottish Budget Process

As mentioned above, the Scottish Budget process is designed to allow for much greater Parliamentary input and scrutiny than occurs at Westminster where a Budget is presented to Parliament in March without prior consultation. This was the aim of the Financial Issues Advisory Group (FIAG), established to recommend a budgetary process for the new Scottish Parliament of 1999. FIAG was influenced by the prevailing mood of the late 1990s that the Scottish Parliament should be as open and accessible as possible. That mood was reflected in FIAG's recommendations that subject committees should be involved in the budgetary process, and that they and the Finance Committee should be free to make alternative budget proposals to the Government's Draft Budget.

The Scottish Budget process meets a key criterion for budget scrutiny international best practice, in that a Draft Budget is introduced well in advance of the start of the financial year. The process in place is intended to enable Parliamentary influence on Government budgetary priorities, as well as improvements to the quality and transparency of information contained within the budgetary documents.

Figure 2 below shows the typical budget scrutiny timetable, which normally runs from the publication of the Draft Budget in September to the passage of the Budget Bill prior to the start of the new financial year. Administrative arrangements for the scrutiny of the budget are laid out in the Written Agreement between the Finance Committee and the Scottish Government.

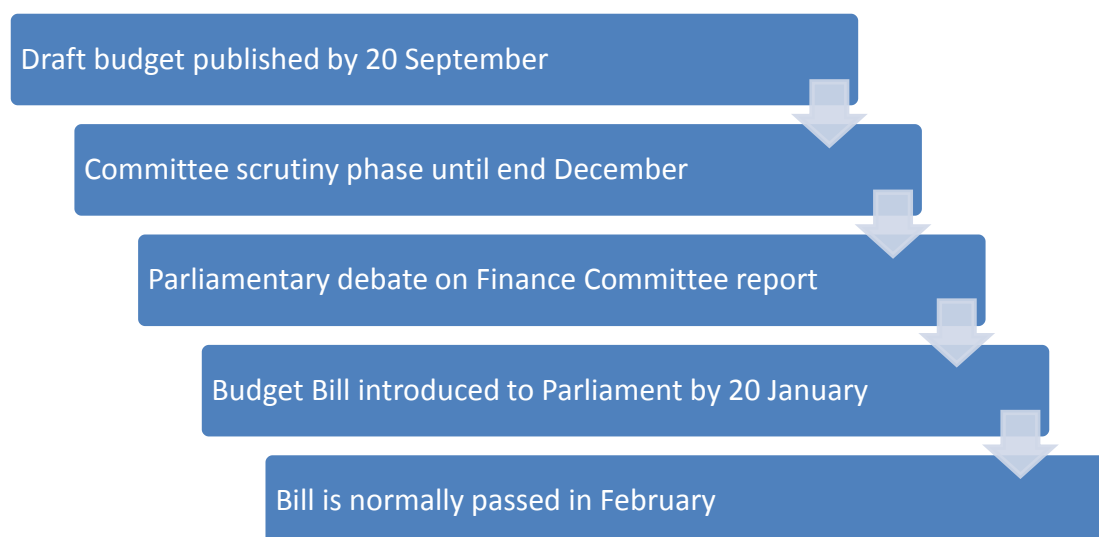
Timings can vary depending on the date of UK Fiscal events such as UK Government Spending Reviews.

The Finance Committee leads and co-ordinates Committee scrutiny, with subject committees considering respective portfolio budgets and feeding reports into the Finance Committee.

Parliament has the power to suggest alternative budget proposals (and now tax rates) via the Parliament’s Finance Committee Draft Budget Report, which is published in December.

The Scottish Government then brings back its Budget in a Bill form, which is introduced in January, and scrutinised in 3 stages.

Figure 2: The Scottish Budget Process



Comparing the Scottish budget process with international best practice

The following table presents some of the key elements of budget scrutiny best practice according to a study from Krafchick and Wehner (1999) and OECD publications, and attempts to assess where Scotland sits.

Table 1: How does Scottish budget process compare with international best practice?

Factors influencing the Budget process	In place in the Scottish Budget process?
<p>The Location of amendment powers. Has the Budget Committee the right to suggest amendments to the Budget to the plenary? In the absence of such suggestions, amendments to the budget are not likely to be taken by the plenary.</p>	<p>The Scottish Parliament’s Finance Committee can suggest an alternative budget at stage 2 of the process, provided it remains within the government’s aggregate total. Only a member of the Scottish Government can amend the budget bill.</p>

<p>Time allocated to committee debate of the budget. How much time is allowed for the Budget Committee of a Parliament to analyse the Budget and to formulate amendments? A suitable amount of time is required.</p>	<p>The Subject Committees and the Finance Committee normally have opportunities to scrutinise the Government's plans from September to December at the Draft Budget Scrutiny stage of the Budget process.</p>
<p>Involvement of other committees in the budget process. How is the involvement of other committees in the budget process organised? What are the relations between the Budget Committee and the other committees? Only when the Budget Committee has a strong co-ordinating role with regard to the numerous wishes and inputs from the other committees can substantial amendments to the draft budget be expected.</p>	<p>In the Scottish Budget scrutiny system, the Finance Committee co-ordinates input from the subject committees and incorporates subject committee views into its report. There is possibly a debate to be had over the extent to which subject committees feel "engaged" with the budget process but, in theory at least, this factor is met by the Scottish process.</p>
<p>Information from the government. Does the Budget Committee have access to sufficient information from government? Timely information on the implementation of the current budget for instance, is crucial to the Budget Committee.</p>	<p>While there is always going to be debate as to the adequacy of the information provided by the Government, there are channels in place for parliamentarians to seek improvements to the information via the existing process. For example, the Scottish Government now release level 4 information which is useful for Subject Committees. The timing of the Scottish Budget is also "at the mercy" of the UK Budget timing – for example, Scottish draft budgets have in the past been pushed back as late as December due to delays in the publication of the UK Spending Review.</p>
<p>Independent research. Is the Budget Committee sufficiently supported by independent research? The Congressional Budget Office (CBO) for instance, with over 200 specialised research staff undertakes objective analyses and Budget projections. The CBO exerts considerable influence on budget policy.</p>	<p>Scotland's Budget process does not have the support infrastructure of the CBO, and there is unquestionably a mismatch between the "expertise" and resource held by the civil service and that held by the Parliament. However, the Committee has appointed two expert advisers on financial matters and subject committees can also appoint budget advisers. In addition, committees have access to research support from SPICe.</p>

<p>Treatment of Audit findings. Are the results of Auditor General reports and the results of the Public Accounts Committee (Auditing Committee) fed into the budgetary process? If not, the Budget Committee is missing a significant source of expert opinion and information.</p>	<p>There are currently no institutional arrangements in place to feed Audit findings into the Budget process. However, any committee is free to make use of a report by the Auditor General, and the Public Audit Committee routinely considers all Audit Scotland reports.</p>
<p>Involvement of the Budget Committee in ordinary legislation. Is the Budget Committee sufficiently involved in ordinary (non-budgetary) legislation in order to ensure that such legislation is robustly costed?</p>	<p>All Financial Memoranda for Bills go before the Finance Committee for scrutiny. The Finance Committee reports to the legislation's lead committee which takes the Finance Committee's views into account. The Finance Committee also began in the last session to undertake post-legislative scrutiny of selected Financial Memoranda to consider costs post-implementation.</p>
<p>Internal organisation of the Budget Committee. Is the Budget Committee well enough organised to fulfil its remit efficiently?</p>	<p>The Finance Committee of the Scottish Parliament is currently staffed by a clerking team of 5 staff, two advisers and is supported a range of offices across the Parliament such as the Media Relations Office and SPICe.</p>

Source: Adapted from Krafchick and Wehner 1999; OECD 2002, 2011, 2015b

Overall, on paper at least, the Scottish process when measured against most of these criteria comes out relatively favourably. Scotland is in line with best practice when it comes to time allocated to budget scrutiny, the committee structure in place for dealing with the budget and the involvement of the Finance Committee in ordinary legislation. Scotland is also better placed than many legislatures in that it has some capacity for obtaining expert advice and research on financial matters.

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