Paying for Parliament

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I. Introduction

This chapter examines the process by which the Houses of Parliament are funded, and the history of this process. In 2020–21, the two Houses of Parliament had a combined annual budget of just under a billion pounds: the Commons administration had an annual budget of approximately £776 million; the Lords administration £182 million.[1] The budget appears large, but in practice it is small compared to one of the big government spending departments, such as the Home Office (£16 billion in 2020).[2]

Still, the budget of Parliament matters, because it shapes the capacity of Parliament to carry out its functions (for instance, limited staff numbers may lead to inadequate scrutiny); and because it illustrates the wider limitations on parliamentary capacity for independent action. More generally, it is sometimes suggested that (in line with the separation of powers) parliamentary autonomy from the executive requires parliamentary control over its own budget.[3] A discussion of how Parliament is funded and its history provides a useful insight on how constitutional principles like parliamentary autonomy develop; and the extent to which such constitutional principles are tempered by political practice.

We use the term 'budgeting process' broadly to refer to the process by which the funding of the two Houses is scrutinised and determined, the constraints under which key actors make decisions about resource allocation, and the procedures by which these decisions are ratified.[4] We shall not discuss Members' salaries, staff or expenses in any detail, as this has been covered elsewhere, and in any case is now largely distinct from the budgeting of Parliament's administration;[5] or the ongoing saga of the multibillion-pound Restoration and Renewal project of the Palace of Westminster (R&R is dealt with in Chapter four). Rather, this

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[1] House of Commons, *Annual Report and Accounts 2020-21* (2021 HC 316) 104; House of Lords, *Annual Report and Resource Accounts 2020-21* (2021, HL 49) 57. As we note in Part 2, the House of Commons figure refers only to the House of Commons Administration Estimate.
[2] HM Treasury, *Central Government Supply Estimates 2020-21* (2020, HC 293) 80.
[3] David Beetham, *Parliament and Democracy in the Twenty-First Century: A Guide to Good Practice* (Inter-Parliamentary Union 2006) 117-19.
[4] Technically, 'the budget' refers to actual operating costs, but we focus on estimated costs because most publicly available data comes from the estimates laid in the Houses.
[5] Members' expenses is covered in Richard Kelly and Matthew Hamlyn, 'The Law and Conduct of MPs' in Alexander Horne, Gavin Drewry and Dawn Oliver (eds), *Parliament and the Law* (Hart Publishing 2013) 89, 103-9. As we shall see, however, the House of Lords estimate does include peers' expenses.

chapter focuses primarily on the funding of the administration and running costs of the two Houses—that is, the costs of staff, services and infrastructure.

II. Historical Background

Administrative autonomy and its limits, 1790–1970

Although both the House of Commons and the House of Lords have a high degree of financial autonomy, the path to that situation for both Houses has been uneven. For the House of Commons, the path has been shaped by legislation, but that legislation has been motivated in part by concerns about control within the administration rather than budgetary concerns. For much of the last two centuries, there has been also been a gap between the formal exercise of financial control and the informal power exercised by the Chancellor of the Exchequer and Treasury officials. The House of Lords has followed a similar route, but one far less marked by legislative change. Its autonomy has resulted from the end of financial interference by the House of Commons, from a relatively low financial profile and by mirroring the administrative aspects of the financial autonomy gained by the House of Commons.

Prior to the nineteenth century, the House of Commons had a partial and peculiar level of financial autonomy from Government. Expenditure on the precincts of the Palace of Westminster were funded through the Civil List, but parliamentary officials relied largely on fee income, giving significant budgetary autonomy to the Clerk of the House and the Serjeant at Arms as the principal beneficiaries of those fees. Although private legislation represented the single largest source of fee income, the government paid fees to House officials for a key stage in the passage of its legislation and for other parliamentary activities such as printing and the staffing of select committees. In 1790, the first step away from this system was taken when the Speaker of the House of Commons was provided with a salary in place of the former reliance on fees and offices of profit.[6]

The first beneficiary of this Act, Henry Addington, was also architect of the House of Commons (Offices) Act 1800, under which a Commission was established, composed of the Speaker, the Chancellor of the Exchequer and certain other Ministerial Members of the House of Commons, to receive the fee income of the Clerk of the House, Clerk Assistant and Serjeant and use that to pay them salaries set in statute, using the surplus mainly to provide additional income for retired or distressed staff.[7] This Act corrected an abuse in the form of windfall

[6] Speaker's Salary Act 1790, 30 Geo 3 c 10.
[7] House of Commons (Offices) Act 1800, 39 & 40 Geo 3, c .92.

profits available to senior officials. A subsequent Act in 1812 also precluded the appointment of a Deputy Clerk to act in place of the Clerk of the House alongside the distinct role of Clerk Assistant, a practice adopted by the Clerk of House John Hatsell from 1797.[8]

The role equivalent to the Clerk of the House in the House of Lords—that of Clerk of the Parliaments—had been exercised by Deputy since 1716 and proved a remunerative sinecure post for those in royal favour.[9] This practice was ended by an Act passed in 1824, which precluded the future use of deputies, and provided for the holder of the post of Clerk Assistant in the Lords to become Clerk of the Parliaments when the patent rights expired. The same Act did not follow the same path of financial control as the House of Commons legislation, however, and in fact gave the Clerk of the Parliaments a statutory control over the establishment of the House of Lords which continues in effect to this day.[10]

The House of Commons (Offices) Act 1800 came into force in 1805, when the Serjeant at Arms retired, but it soon became apparent that the Act was defective, in that it did not prevent the new Serjeant receiving fee income in the separate role of Housekeeper. The 1812 Act remedied this defect.[11] The Act came into full effect in 1820, following Hatsell's death. During the 1820s, the Commission used the fee fund to pay the income of most senior officials and make provision for retired officials.[12]

The Commission established under the 1812 Act gradually assumed greater control over the establishment of the House of Commons. In response to a select committee which exposed the complexity of fees and allowances which supplemented the salaries of many officers, an Act of 1834 provided for fixed salaries.[13] Following the recommendations of a subsequent select committee, an Act of 1846 provided for all expenditure on the establishment to be funded through an Estimate, with sums voted in respect of the total needed beyond fee income, and the contents effectively controlled by the Commission.[14] These Estimates were initially treated as Miscellaneous Estimates distinct from the Civil Service Estimates, but a

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[8] House of Commons (Offices) Act 1812, 52 Geo 3, c 11, s 14.
[9] John Christopher Sainty, *The Parliament Office in the Seventeenth and Eighteenth Centuries* (London, 1977), 6–7, 21.
[10] Clerk of the Parliaments Act 1824, 5 Geo 4, c 82 ss 2, 3, 5.
[11] 52 Geo III, c .11.
[12] See, for example, accounts for 1826–27, *House of Commons Journal*, Vol 82, 908
[13] Select Committee on Establishment of the House of Commons, *Report from the Select Committee on Establishment of the House of Commons* (1833, HC 648); An Act to regulate Salaries of Officers of the House and to abolish certain Sinecure Offices, 4 & 5 W4, c70.
[14] Select Committee on Printed Papers, *Third Report from Select Committee on Printed Papers, relative to House of Commons Offices* (1835, HC 606) 17–18; 9 & 10 Vict, c. 77.

further Act of 1849 increased the role of the Treasury and the Commissioners in the preparation of the Estimate, which became part of the Civil Service Estimates from 1850-51.[15]

The Commission first established to wrest budgetary control from officials of the House then became a means to provide a measure of autonomy once expenditure was authorised as part of the Civil Service Estimates. It was accepted that the role of the Treasury under the 1849 Act did not provide any sanction for the Treasury to alter the Estimates as signed off by the Speaker, which were treated distinctly from Estimates prepared by Ministerial departments in recognition of the fact that 'the House is not part of the Executive'.[16] In the Estimates published up to the 1960s, the Treasury formally eschewed control over remuneration:

> 'Treasury control over this Estimate is confined to items which do not relate to the personal remuneration and retired allowances of Officers of the House of Commons. General control is vested in the House of Commons Offices Commission.'[17]

As that disclaimer implied, independence arising from 1812 Act extended to salaries only. Thus, expenditure on books for the House of Commons Library was subject to direct Treasury control.[18]

In addition, the Treasury exercised indirect control in respect of salaries through the role of the Chancellor of the Exchequer as the dominant member of the Commission.[19] When, in 1880, the Clerk of the House, Sir Thomas Erskine May, and the Speaker, Henry Brand, concluded that the salaries of Clerks lagged behind those of other public officials, they had to make a submission to William Gladstone, then Chancellor as well as Prime Minister. Gladstone provided an unsympathetic response, Brand reporting to May that the Chancellor 'takes a decidedly 'Treasury' view of our proposal'.[20] Similarly, in 1886, Reginald Palgrave, May's successor as Clerk, had to make a plea to Lord Randolph Churchill as Chancellor for more generous salary increments for messengers in his Department, which Churchill rejected

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[15] Select Committee on Miscellaneous Expenditure, *Report from the Select Committee on Miscellaneous Expenditure*, (1848, HC 543) 13-14; Select Committee on House of Commons Offices, *Report from the Select Committee on House of Commons Offices* (1849, HC 258); 12 & 13 Vict, c.72; *Estimates, &c, Civil Services, 1850–51*, HC (1850) 256-II, 4-6.
[16] Estimates Committee, *Second Report from the Estimates Committee, House of Commons Library* (HC 1960-61, 168) 69.
[17] Select Committee on the Palace of Westminster, *Report from the Select Committee on the Palace of Westminster* (HC 1964-65, 285) 10.
[18] Estimates Committee (n 16) para 5.
[19] Ibid, para 5 and Q 514.
[20] The Parliamentary Archives (hereafter TPA), BRA/1/4/20, copy of Brand to Gladstone, 24 Nov. 1880; TPA, ERM/4/95, Brand to May, 17 Dec. 1880.

after taking advice from Treasury officials.[21] Even in the 1950s, a female Hansard reporter raised directly with the Chancellor of the Exchequer her case for equal pay.[22] The Chancellor's role as a Commissioner meant that he knew of any change that was being envisaged from the outset, even if it was an increase in a salary of 2½d.[23]

Although the House of Lords was not subject to a changing statutory framework in the same way as the Commons in the Victorian era, it adopted the same path whereby expenditure was authorised through the Estimates. In 1888–89, for example, the Estimates for salaries and expenses of House of Lords Offices (including the Lord Chancellor) were greater than those of the Commons.[24] At a time when Estimates were debated at length prior to authorisation, this opened up such expenditure to scrutiny within the House of Commons. Thus, in 1893 an MP noted unfavourably that the salary of the Clerk Assistant in the House of Lords was greater than that of the Clerk Assistant in the Commons.[25] In 1899, the Marquess of Salisbury conceded in a letter to the Duke of Devonshire that the House of Commons had a say in Lords personnel matters 'by the ordinary operation of the power of the purse'.[26], In 1919, the House of Commons refused to authorise expenditure for the installation of a second bathroom for the Lord Chancellor as an example of that operation.[27]

In 1931, the partial budgetary independence of the two Houses was subject to assault by the Committee on National Expenditure appointed by the Labour Government in 1931, chaired by Sir George May. [28] Without supporting evidence or extended analysis, it recommended that the salaries of officers of the Commons and Lords 'should in future be subject to the sanction of the Treasury'.[29] One Commons official suggested to the Committee of Public Accounts that it would be 'disastrous if the House of Commons delegated its control of its own officials in any way to any Government Department'.[30] That Committee agreed, arguing that the recommendation of the May Committee was 'open to serious objection on

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[21] Cambridge University Library (hereafter CUL), Add MS 9248/15/1727, Palgrave to Moore, 30 August 1886; Churchill to Ponsonby, 6 Sept. 1886.
[22] 'Jean Winder: The first woman who won equal pay at Hansard', 9 November 2018, <https://www.bbc.co.uk/news/uk-politics-parliaments-46139815> accessed 12 August 2020. The Chancellor's reply was non-committal and it took nearly three years before Jean Winder secured equal pay.
[23] Estimates Committee (n 16), Q 532.
[24] *Estimates for Civil Services for the year ending 31 March 1889* (1888, HC 72) 87–94.
[25] HC Deb 5 September 1893, col 165. The MP was Robert Hanbury; he was brother-in-law of the Clerk Assistant in the House of Commons.
[26] Devonshire MSS, Chatsworth, CS8/340/2814, Salisbury to Devonshire, 23 Dec. 1899.
[27] HC Deb 31 July 1919, cols 2322–33.
[28] The Committee was a cross-party Committee and arose in part from a resolution of the Commons, but was not a parliamentary body: *Report from the Committee on National Expenditure*, Cmd 3902, July 1931, 5. The Report quoted was the majority Report; Labour members of the Committee produced a dissenting minority Report.
[29] Ibid, 24.
[30] Committee of Public Accounts, *First and Second Reports from the Committee of Public Accounts* (HC 1931-32, 42) 93, Q 610.

constitutional grounds', noting that 'the House has always jealously preserved the independence of its officers' and considering that 'any course which might tend to impair their independent position is constitutionally objectionable as well as financially unnecessary'.[31]

While formal encroachment was prevented, the potential for informal encroachment by means of the Chancellor's role on the Commission remained. In 1961, the Treasury admitted that their officials advised the Chancellor as a member of the Commission 'in the same way as they would advise him as a Minister on a Government matter'.[32] Almost all the Commission's work was conducted by correspondence.[33] In 1961, the Clerk of the House, Sir Edward Fellowes, described what happened in the rare cases where disputes arose between the Chancellor and Speaker: 'there is a full meeting of this very high powered Commission and with differing results: sometimes the Chancellor wins, but I have known Mr. Speaker beat the Chancellor on occasions when it comes to it'.[34]

However, the position was seen as less happy by the next Clerk of the House. In 1967, Sir Barnett Cocks described in detail to a sub-committee how his request for increased staffing in his Department had been cut back by the Treasury, and how he had been forced to institute further reductions in response to a Treasury direction. He described the 'present situation' as one where 'the House is treated as a subordinate Government Department so far as finance is concerned'. He quoted a letter from the Chancellor which made clear that he viewed Treasury officials as entitled to refuse the Clerk's case for increased staffing.[35] Cocks portrayed the 1812 Act as one which 'supposedly protects the House from interference in staff matters by the Treasury', but argued that the Treasury had got round this by drawing on the Chancellor's role as a Commissioner. The Commission had become 'virtually a dead letter', because the Chancellor by custom always attended meetings of the Commission briefed by Treasury officials: 'The Speaker is chairman, but he has no authority as against the Chancellor'.[36] Drawing on that evidence, a 1974 study concluded that 'Treasury influence can … be very effectively wielded via the Chancellor's presence on the Commission' and that the note to the Estimates cited earlier did not 'accurately reflect the actual situation'.[37]

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[31] Ibid, xii.
[32] Estimates Committee (n 16), 69.
[33] Ibid, Q 506; Science and Technology Committee, *Minutes of Evidence taken before the Science and Technology Committee Sub-Committee on Coastal Pollution* (1967-68, HC 167-vi) QQ 739-741. See also Select Committee on the Palace of Westminster (n 17) 10.
[34] Estimates Committee (n 16) Q 514.
[35] Science and Technology Committee (n 35) QQ 722-724.
[36] Ibid, QQ 739–741. See also Select Committee on the Palace of Westminster (n 17) 10.
[37] Michael Rush and Malcolm Shaw (eds), *The House of Commons: Services and Facilities* (George Allen & Unwin 1974) 29.

A solution of sorts to the issues that had arisen about Treasury interference in salaries was found in February 1970, when the Commission approved an arrangement, known as the 'Statement of Principles' whereby financial control was delegated to the Clerk as Accounting Officer, subject to the following requirement:

> 'To the maximum extent consistent with the requirements of the House, the conditions of service of staff of the House are … to be kept broadly in line with those of staff in the Home Civil Service'.[38]

This meant, according to a later analysis by an official in the Civil Service Department (CSD), that 'the House Authorities no longer had to seek the authority of the Chancellor (in practice CSD officials) as a Commissioner for changes in pay and grading of staff'.[39]

III The House of Commons (Administration) Act 1978

Financial autonomy in recognisably modern form was achieved by the House of Commons through the House of Commons (Administration) Act 1978, but that Act arose to some degree from concerns within the House itself about its internal organisation and senior appointments. The budgetary provisions were effectively chosen by the Treasury, which decided that the appearance of financial control without the reality that resulted from the 1970 Statement of Principles was almost the worst of all worlds.

The costs of accommodation and works in the Palace of Westminster had long remained under the control of Government rather than either House, with a Minister holding the Office of the Keeper of the Palace of Westminster from 1884.[40] The only House of Commons official involved was the Serjeant at Arms, who was appointed by the Crown without reference to the Commons, determined the House's requirements and submitted them to the Ministry of Works, to be subject to Treasury scrutiny along with other Estimates proposals.[41] A Select Committee which examined these arrangements in 1953–54 concluded that the system 'does not afford the House sufficient say in the preparation of those Ministry of Works draft Estimates that relate to their requirements'.[42] In 1965, the Prime Minister Harold Wilson announced the control of accommodation and services in the Commons end was to be vested in the Speaker in place of the Lord Great Chamberlain, and at the Lords end in the Lord

[38] *Review of the Administrative Services of the House of Commons: Report to Mr. Speaker by Sir Edmund Compton* (1974, HC 254) ('the Compton Report'), para 3.3; Rush and Shaw (n 37) 30.
[39] The National Archives (hereafter 'TNA'), T 371/532, Light to Robson, 5 April 1976, para 4.
[40] TNA, T 371/532, Seller to Townley, 18 January 1978.
[41] Select Committee on House of Commons Accommodation, *Report from the Select Committee on House of Commons Accommodation, &c* (HC 1953-54, 184) paras 25, 49.
[42] Ibid, para 49.

Chancellor.[43] A Select Committee was established to consider how the Speaker might be advised, which led to the establishment of a sessional House of Commons Services Committee, with four sub-committees.[44] A study of this system in 1974 noted, however, that ‘It would be misleading to assume that there is a clear line of authority below the level of the House of Commons itself in the administration of, and responsibility for, services and facilities’.[45]

An important legacy of the 1954 Committee came in the form of the proposal for a fresh approach to parliamentary governance beyond the matter of accommodation. It concluded that the Commissioners under the 1812 Act ‘should be replaced by a body of experienced Members drawn from the House who would undertake not only the present functions of the Commissioners with regard to staff, but also wider duties in relation to the accommodation and management of the House’.[46] They recommended that this body would be established by statute, called the House of Commons Commission, chaired by the Speaker, and should include the Leader and Shadow Leader of the House, Ministers from the Treasury and the Ministry of Works and at least nine other Members. The House of Commons Estimate should include matters currently within the Ministry of Works Estimate and the Commission should prepare a report to inform preparation of the Estimate.[47]

In October 1973, Speaker Selwyn Lloyd commissioned an independent review of administrative services of the House of Commons to be conducted by Sir Edmund Compton, which solicited recommendations which might require legislation.[48] Although the Speaker’s main concerns, and the focus of the subsequent Report, related to the internal organisation of the House Service and the system for appointments, this set in train events that led to the 1978.[49] The Compton Report acknowledged that the functions of the 1812 Commission were ‘spent’ in view of the Statement of Principles of 1970, but did not propose new machinery in its place and missed the significance of the fact that the Chancellor’s only locus derived from the 1812 Act.[50] Members and officials were both unhappy with the Compton proposals, which

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[43] HC Deb 23 March 1965, cols 328-329; Rush and Shaw (n 37) 31–32.
[44] Select Committee on the Palace of Westminster (n 17), paras 15-17; Rush and Shaw (n 37) 33–35.
[45] Rush and Shaw (n 37) 34.
[46] Select Committee on House of Commons Accommodation (n 41) para 51.
[47] Ibid, paras 52-58; Rush and Shaw (n 37) 32–33.
[48] For an analysis of the Compton Report and its origins, see Geoffrey Lock, ‘The Administrative and Statutory Framework’, in Michael Rush (ed), *The House of Commons: Services and Facilities, 1972–1982* (Policy Studies Institute 1983), 8–10.
[49] The Compton Report (n 38) para 1.1.
[50] Ibid, para 6.41; TNA, T 371/532, Light to Robson, 5 April 1976, para 5.

they felt left them 'powerless': it meant that 'the services of the House would be run like a Government Department and staffed by civil servants'.[51]

Although the Compton Report was not generally welcomed, it was envisaged that the Report would be referred to a Committee of MPs,[52] and it was that further review for the Speaker, composed of Members of the House and with a Clerk, Michael Ryle, providing the secretariat along with a Cabinet Office official, that provided the impetus for change.[53] This Committee, which was chaired by Arthur Bottomley and which reported in August 1975, rejected the idea that the 1812 Commission should be abolished without alternative provision.[54] Instead, that Committee recommended the creation of a Commission very like that envisaged by the 1954 Committee except much smaller, which would serve as employer for a reorganised and unified House of Commons Service.[55]

On the specific issue of funding, the Bottomley Committee recommended that the Commission be responsible for the House of Commons Estimate, with the Leader of the House alone representing the Government on the Commission, from which the Chancellor would be excluded, although the Committee claimed that the Chancellor would still 'examine and approve the House of Commons Vote'. The Committee considered that these steps 'would considerably strengthen the control of the House over the development its own services and facilities'.[56] As Michael Foot was later to tell cabinet colleagues, the Bottomley Report offered

> 'a good prospect of moving towards the unification of the administrative services of the House with the necessary measure of good will of the staff affected, which would not have been likely to be forthcoming had the more radical Compton proposals been adopted'.[57]

The main focus of the Bottomley Report was on the internal organisation of the House Service, the age of retirement and senior appointments.[58] The approach to the question of funding was low key, and the Committee emphasised that the legislation to establish the new

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[51] Michael Ryle interviewed by Gloria Tyler C1135/13/01-02, British Library recording (4 February 2003); HC Deb 12 April 1978, col 1568.
[52] Michael Rush, 'Introduction', in Rush (n 48), 3.
[53] Ryle interview (n 51). The Cabinet Office official, Michael Townley, also took the lead in preparation of the Bill.
[54] *Report to Mr Speaker by Committee under Chairmanship of Mr Arthur Bottomley MP* (1974-75, HC 624) ('the Bottomley Report'), para 3.3.
[55] Ibid, paras 4.2, 4.4, 4.6-4.7; Lock (n 48) 10.
[56] *The Bottomley Report* (n 54) paras 4.7, 4.11.
[57] TNA, T 371/532, Lord President memorandum to Prime Minister. 27 August 1976, para 8.
[58] For a broader analysis of Compton and Bottomley, see Ben Yong, 'The Governance of Parliament' in Alex Horne and Gavin Drewry (eds), *Parliament and the Law* (2nd edn Hart 2018) 75, 83–84.

Commission should ‘be kept to the minimum’.[59] Funding questions were also subordinate to issues of organisation and services in a subsequent debate in the House in December 1975, although the Minister replying did effectively acknowledge the duty of Ministers to introduce legislation to repeal the 1812 Act and establish the new Commission.[60]

In March 1976, Ted Short, the Leader of the House of Commons, wrote to the Chancellor of the Exchequer, Denis Healey, indicating his wish to legislate to give effect to the Bottomley Report and seeking his view on the proposed exclusion of the Chancellor of the Exchequer from the new Commission. He also sought the Chancellor’s view on whether the Government needed to retain any control over Commons staffing arrangements as part of new legislation. The Chancellor was advised that the effect of the Bottomley recommendations would be to remove all Treasury control—with its role ‘reduced to little more than a rubber-stamping exercise’—but it was noted that the 1970 Statement of Principles had already relinquished effective control over salaries. While the Treasury retained notional control over expenditure other than salaries, such as the catering grant and overseas travel by select committees, this control was Ineffective and the Chancellor’s subsequent role in approving the Estimate once the Commission had finalised it but before laying it before the House as proposed by the Bottomley Report was described as a ‘fiction’ and ‘quite unrealistic’: ‘any attempt to control expenditure at that stage would at once raise a major constitutional difficulty between the Executive and the Legislature’. The conclusion was as follows: ‘It is arguable that there would be merit in making the Legislature fully accountable for its expenditure, including the presentation of its own Estimates’.[61] Healey replied to Michael Foot, Ted Short’s successor as Leader in April 1976, agreeing to be excluded from the new Commission, provided that steps were taken to avoid ‘perpetuating the fiction of Government control by Treasury Ministers’.[62]

Late in August 1976, Michael Foot sought agreement from Cabinet colleagues to prepare a Bill to give effect to the recommendations of the Bottomley Report. He endorsed the proposal from the Chancellor that ‘the House of Commons Estimates should in future be presented by the Commission and that … the new Commission should have full responsibility for all items of expenditure covered by the House Vote’.[63] In November that year, Foot was able to confirm the Government’s intention to legislate to give effect to the Bottomley Review.[64]

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[59] *The Bottomley Report* (n 54) paras 81–82.
[60] HC Deb 4 December 1975, cols 1955–79.
[61] TNA, T 371/532, Light to Robson, 5 Apr. 1976.
[62] TNA, T 371/532, Healey to Foot, 22 Apr. 1976.
[63] TNA, T 371/532, Lord President memorandum to Prime Minister. 27 Aug. 1976, para 10.
[64] HC Deb, 17 Nov. 1977, col 767.

In July 1977, the Expenditure Select Committee produced a Report which effectively restated the Bottomley Report and the approach proposed by the Chancellor the previous year in slightly more incendiary language:

> ‘It is, in our view, undesirable that final control over … parliamentary staff should be vested in the Treasury and Civil Service Department, as to a considerable extent it currently is … We believe that the [new House of Commons] Commission should discharge in relation to the services of the House the functions discharged by the Treasury in relation to other Estimates. This would place the House of Commons in the position of many other legislatures in determining its own expenditure upon its own staff.’[65]

This recommendation set off vigorous internal discussions within the Treasury about the wisdom of surrendering the last elements of control, with one official concerned it might lead to ‘a large staff which would permit the development of select committees on the US congressional model’.[66] In response, other officials implied that the Treasury would do well to end its position of financial responsibility without effective financial control.[67]

The Bill as introduced on 14 March 1978 gave effect to the Treasury proposal on the Estimates, with Clause 3(1) providing:

> ‘For the year 1979–80 and each subsequent financial year the Commission shall prepare and lay before the House of Commons an estimate for that year of the expenses of the House departments and, to such extent as the Commission may determine, of any other expenses incurred for the service of the House of Commons.’[68]

The Bill made a relatively swift passage through the House between April and June 1978.[69] The Bill passed the Lords without amendment and received Royal Assent on 20 July.[70] The autonomy on funding was generally welcomed, not least in the context of the work of select committees, where the existing arrangements were seen by Sydney Irving as ‘a crippling form of arrangement if the Select Committees are really to do a full-blooded job of

[65] Expenditure Committee, *Eleventh Report from the Expenditure Committee, The Civil Service* (1976-77, HC 535-I) para 159.
[66] TNA, T 371/532, Rawlinson to Anson, 4 Nov. 1877.
[67] TNA, T 371/532, Anson to Rawlinson, 22 Nov. 1977; TNA, T 371/532, Cousins to Downey, 24 Nov. 1977.
[68] HC Bill 83 of Session 1977–78; CJ (1977–78) 239.
[69] HC Deb 12 April 1978, cols 1553-94; *Commons Journal* (1977–78) 279, 294, 333, 417. For an analysis of the Bill and proceedings on it, see Lock (n 48) 10–11.
[70] *Commons Journal* (1977–78) 479–480.

challenging the Executive'.[71] As with its genesis, funding issues were very much subordinate during the debates on the Bill to questions of internal organisation and staffing. The provisions as enacted on funding were identical to those in the Bill as introduced.[72]

As was noted at the time, the new arrangement whereby the Commission itself was to present the Estimate to the House of Commons

> 'was not specifically recommended in the Bottomley Committee's report, although it is entirely consistent with its general tenor. The proposal was introduced into the Bill on the initiative of Treasury Ministers, and recognises the de facto independence which the House at present largely possesses in staffing matters.'[73]

It was subsequently endorsed by Arthur Bottomley, who acknowledged that the Government had gone further than his report in this regard: 'We shall only have ourselves to blame in the future if the services are insufficient but, equally, we have a full sense of the importance of economy in public expenditure, in the same way as the Treasury has'.[74]

IV Key developments in both Houses since 1979

Bottomley's words foreshadowed the actions of the Commission in the early 1980s, when Bottomley himself was a member of the Commission. Its third annual report noted that 'The Commission take the view that, subject to the continuing need for the House to exercise its primary function of controlling the Executive, it should observe the same financial restraints as operate in the public service generally'. It noted that experience of the initial delegation agreed in 1979 'had shown that the Commission itself was unable to exercise total control in key areas, on the occasions when this seemed appropriate'. This led to a much more restrictive instrument of delegation, alongside ceilings on the 'sensitive subject' of select committee overseas travel and rejected applications for travel to international assemblies and outside conferences.[75] Financial autonomy was not a recipe for unrestrained spending.

From its establishment until 1992, the House of Commons Commission was responsible for expenditure only on the services provided by Departments of the House, and some miscellaneous expenditure for the direct benefit of Members. Expenditure on printing,

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[71] HC Deb 12 April 1978, col 1564.
[72] House of Commons Administration Act 1978, c 36, s 3(1).
[73] TNA, T 371/532, Briefing for Parliamentary Question on 3 April 1978.
[74] HC Deb 12 April 1978, cols 1557, 1569.
[75] House of Commons Commission, *House of Commons Commission: Report for 1980–81* (HC 1980–81, 385) paras 3, 9, 12–13.

publications and the upkeep of parliamentary buildings was met by Government. This was to change after the Commission agreed in May 1990 to a proposal from Sir Geoffrey Howe, then Leader of the House, to ask Sir Robin Ibbs, formerly an efficiency adviser to the Prime Minister, to lead a review of management and facilities of the House.

As a result of the Ibbs Report, the Commission assumed responsibility from 1 April 1992 for all expenditure for the provision of services to the House, including printing and publication (from Her Majesty's Stationery Office) and the maintenance and development of the Commons element of the parliamentary estate (from the Department of the Environment—successor to the Ministry of Works). Again, this enhanced control did not lead to a dramatic change in financial approach: although the government did not have a voting majority on the Commission, that body continued to abide by a self-denying ordinance that it would not commit spending to new services unless approved in principle by the House itself. To accompany these changes, and to enable legal ownership of the Estate to pass to Parliament, the Parliamentary Corporate Bodies Act 1992 was passed, whereby the Clerk of the Parliaments and the Clerk of the House of Commons were established as Corporate Officers, able to acquire and hold property and enter into legal contracts on behalf of their respective Houses.[76]

The Ibbs Review also set a pattern of periodic reviews being undertaken of the administrative organisation of the Commons Service and the limitations of control through domestic committees, including the Braithwaite Review (1999) and the Tebbit Review (2007).[77] These did not address the role and composition of the Commission. The same cannot be said of the Straw Review—formally the House of Commons Governance Select Committee—which was the first review undertaken by MPs since Bottomley and which led to the addition of two official members to the Commission (the Clerk and a Director General) and a statutory duty on the Commission to set strategic priorities for House services through the House of Commons Commission Act 2015.[78]

With the exception of the Parliamentary Corporate Bodies Act 1992 and the Parliamentary (Joint Departments) Act 2007, the Lords was relatively untouched by legislative reforms affecting governance. The financial arrangements of the House of Lords continued to evolve without being shaped by new legislation in the manner of the Commons. Like the Commons, the Lords developed a system of domestic committees to provide an element of

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[76] William Proctor, 'Implementing Ibbs' (1992) 60 *The Table* 66; Yong (n 58) 84–85.
[77] House of Commons Commission, *Review of Management and Services* (HC 1998-99, 745) ('the Braithwaite Review'); *Review of Management and Services of the House of Commons* (2007, HC 685) ('the Tebbit Review').
[78] House of Commons Governance Committee, *House of Commons Governance* (2014, HC 297) ('the Straw Review'); see also Yong (n 58) 85–87.

Member involvement in the provision of services and facilities, with reforms in 1991–92 flowing from the Ibbs Review and further changes in 2000–02 and 2007. The most significant changes arose from the Leader's Group on Governance in 2016, chaired by Baroness Shephard of Northwold, which led to the creation of the structure described in the following section.[79]

V What is the Budget?

Overview

This part discusses the current process for the budgeting of the two Houses of Parliament—specifically, the funding for the House of Commons and the House of Lords. But there are a number of complications in doing so. First of all, Parliament is funded via a number of separate streams, which makes it difficult to talk about what constitutes Parliament's 'budget'.
These are:

- *the House of Commons Administration Estimate*: this covers the costs of general House administration, and includes such matters as 'the cost of House staff, office accommodation in Westminster, running and maintaining the Parliamentary estate, printing, security, broadcasting, IT and catering[80] (in 2020–21, this came to £776 million);[81]
- *the House of Commons: Members Estimate*: this used to include MPs' salaries, staff and expenses (and which has now been transferred to the Independent Parliamentary Standards Authority), but now only covers (amongst other matters) the cost of financial assistance to opposition parties (Short Money), a proportion of payroll costs for the Deputy Speakers, and the Treasury contribution towards the Parliamentary Contributory Pension Fund (in 2020–21, this came to £17 million);[82]
- *the Independent Parliamentary Standards Authority (IPSA) Estimate*: this covers MPs' salaries, staff and expenses (in 2020–21, this came to £225 million);[83]

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[79] Michael Rush and David Jones, 'Services and Facilities' in Donald Shell and David Beamish (eds), *The House of Lords at Work* (OUP 1993), 308; Michael Torrance, 'Governance and Administration of the House of Lords', House of Lords Library briefing, 30 November 2021.
[80] House of Commons Finance Committee, *House of Commons Financial Plan 2019/20 to 2022/23 and Draft Estimates 2019/20* (2018, HC1761) para 3. The Administration Estimate can be found here: <https://www.parliament.uk/business/publications/commons/house-of-commons-supply-estimates/> accessed 19 January 2022
[81] House of Commons, *Annual Report and Accounts 2020-21* (HC 2020-21, 316), 104
[82] HM Treasury, *Central Government Supply Estimates 2020-21* (HC 2020-21, 293) 590. The House of Commons: Members Estimate is relatively uncontroversial and tiny relative to the other estimates. The broad process for determining the Members' Estimate is the same for the Administration Estimate: that is, the Estimate is prepared by the Commons Finance Committee; and the ultimate body determining the estimate is the House Commission (although constituted as the Members Estimate Committee).
[83] Independent Parliamentary Standards Authority, *Supply Estimate* (2021, HC 328).

- *the Parliamentary Works Sponsor Body Estimate*: this covers the costs of the Sponsor Body for Restoration and Renewal, as established under the Parliamentary Buildings (Restoration and Renewal) Act 2019 (in 2021–22 this was set at £156 million);[84]
- *the House of Lords Estimate*: this covers peers' expenses, House staff, services (including shared services with the Commons) and infrastructure costs (in 2020-21, this came to £182 million).[85]

These separate estimates are not drawn together into a single consolidated set of figures. There are also supplementary estimates for each of these streams: additional claims for funds made later in the financial year. Of the estimates above, we shall only cover the House of Commons Administration Estimate and the House of Lords Estimate. These two estimates cover the core costs of parliamentary administration for the two Houses.

Second, publicly available information about the funding of the Houses of Parliament is limited. The Houses' estimates are published,[86] but these are blunt numbers, and provide very little information about the allocation of resources internally. The annual report and accounts of each House are a better tool, which do provide a statement of parliamentary supply, set out in more detail how resources are allocated, and provide some discussion of how money has been spent.[87] But the annual reports and accounts say little on the process by which figures were arrived at, or the range of choices open to decision makers, and who in fact the decision makers actually are. The Commons Finance Committee has very occasionally published reports which do set out some of the considerations underlying budgeting decisions.[88]

For simplicity's sake, estimates from the annual reports and accounts for both Houses are used here. This was then supplemented by a number of confidential interviews carried out with key actors in the two Houses between 2019-21: two MPs, two peers, four Commons officials and three Lords officials. Interviewees were chosen on the basis of their past or

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[84] Parliamentary Works Sponsor Body, *Supply Estimate 2021-22* (2022, HC 131).
[85] House of Lords, *Annual Report and Resource Accounts 2020-21* (2021, HL 49) 57.
[86] See eg., <https://www.parliament.uk/business/publications/commons/house-of-commons-supply-estimates/> accessed 19 January 2022
[87] These can be found at <https://www.parliament.uk/business/publications/commons/resource-accounts/; and https://www.parliament.uk/business/lords/house-lords-administration/how-the-lords-is-run/business-and-financial-information/business-plans-annual-reports-and-accounts/> accessed 19 January 2022.
[88] The last report of the Commons Finance Committee was published in 2018: House of Commons Finance Committee, *House of Commons Financial Plan 2019/20 to 2022/23 and Draft Estimates 2019/20* (2018, HC 1761). Prior to this, the Commons Finance Committee during the Coalition Government years (2010-15) also published reports, but these were exceptional. Reports have also been on occasion accompanied by debates: see, for instance, HC Deb 21 November 2013, col 1386; HC Deb 11 November 2014, col 1333. The House of Lords Finance Committee does not publish reports.

current role in the budgeting process—as chair or clerk of a finance committee, for instance; or a senior parliamentary official involving in the budgeting process.

Key Actors

A short discussion of the Houses' governance arrangements is necessary, because the budgeting process is intimately connected with governance.[89] Figures 1 and 2 below set out the governance arrangements for the two Houses.

FIGURE 3.1 HERE

FIGURE 3.2 HERE

Briefly, each House has a level consisting of parliamentarians and a level consisting of officials. The political level operates primarily by consensus and has multiple levels of political authority. It consists of a Commission which is politically responsible for the maintenance of House staff and infrastructure—which includes the budget. It is supported by a set of domestic committees. The administrative level consists of officials responsible for the implementation of Commission decisions and policies: there is a Board, and underneath that a set of House departments. Below we set out the roles of four key actors in the process.

a) The Commission: Each House has a political governing body—a Commission. The Commons Commission has a statutory basis, and its duties are statutory;[90] the Lords Commission is non-statutory.[91] Both are responsible for staffing, setting the strategy of their respective House service or administration and (in the Commons) the laying of the administration estimate.[92] Each Commission is chaired by the presiding officer; and consists primarily of parliamentarians, with two non-executive members to provide constructive challenge. In the Commons, parliamentarians include a cross-party selection of the Leader and Shadow Leader of the House, two additional members from the two large parties and a member from the smaller parties. In the Lords, membership is more complicated, and includes the Lord Speaker, the Senior Deputy Speaker, the Leaders of the three key parties and the Convenor of the Crossbenchers, the chairs of the Finance and Services Committees, and two

[89] For a more in-depth discussion of governance, see Yong (n 58).
[90] House of Commons (Administration) Act 1978, s1.
[91] House of Lords, *External Management Review* (2021). A rare debate was held on the Lords' governance and administration recently, which included a discussion of whether the Lords Commission should be put on a statutory basis: HL 8 December 2021, col 392GC.
[92] For the House of Commons Commission, see House of Commons (Administration) Act 1978, ss 2-3.

backbench peers. Parliamentarians are selected through the usual channels—there is no election. In theory, each Commission is the ultimate decision-maker in budgetary matters.

b) The Finance Committee and the Audit Committee: advising each House Commission is a set of committees which scrutinise the internal or 'domestic' business of the House; they are separate from select committees which scrutinise the executive. For our purposes, there are two key committees in each House which are important to the budget process: the Finance Committee and the Audit Committee. In both Houses, the Chairs of the Finance and Audit Committees sit on their respective Commission.[93] This arrangement encourages better coordination between the Commission and the committees. The Finance Committees are more important for the budget process: they do most of the work in preparing the relevant estimates for the Commission.[94] They also monitor and scrutinise the financial performance of the House service or administration; and report to the Commission on the financial and administrative implications of any significant proposals. The Finance Committee is usually chaired by an opposition parliamentarian;[95] composition is determined by party proportion in the House; and members are selected by the usual channels.

The role of the Audit Committees[96] is to ensure proper governance, risk management and internal financial control and audit (and in the case of the Commons, the external audit as well). They support both the Commission and the relevant Accounting Officer as well. The chairs of both Audit Committees are lay members; but otherwise the composition of the Audit Committee is determined by party proportion in the House, and members are selected by the usual channels. The finance and audit committees' roles overlap to some extent. The Finance Committee looks at past expenditure as part of its remit; but the Audit Committee is more concerned with overall processes such as governance, audit and risk management.

c) The Executive Board (Commons)/ Management Board (Lords): The Board provides advice to the Commission, and ensures implementation of Committee policies. But it is also a place where the different House departments can negotiate between themselves how limited

[93] However, the last two chairs of the Commons Finance Committee—Chris Bryant (2017-19) and Lilian Greenwood (2020-21) and both from Labour—did *not* sit on the Commission.
[94] The Commons Finance Committee remit can be found in the House of Commons Standing Order 144. The Lords Finance Committee remit can be found here: <https://committees.parliament.uk/committee/364/finance-committee-lords/role/> accessed 19 January 2022.
[95] During the Conservative-Liberal Democrat Coalition Government (2010-15), however, the Commons Finance Committee was chaired by a Liberal Democrat, John Thurso.
[96] In the Commons, this committee is known as the Administration Estimate Audit and Risk Assurance Committee, but here we refer to it as the Audit Committee. The remit of the Commons Audit Committee can be found here: <https://committees.parliament.uk/publications/6460/documents/71236/default/> accessed 19 January 2022; the Lords' audit committee remit can be found here: <https://committees.parliament.uk/committee/169/audit-committee-lords/role/> accessed 19 January 2022.

resources should best be allocated. This is usually chaired by the most senior official of the House (in the Commons, the Clerk of the House;[97] in the Lords, the Clerk of the Parliaments), and consists of senior officials from key departments of the House service or administration—such as the Library, the chamber and committee services, the Finance Department and so on.

d) The Finance Department: the Finance Department provides accounting and financial services for the House. This includes financial management and reporting; resource and cash management. It is to the Finance Department that the other House departments must first submit and justify their budgets; it is the Finance Department which ensures that the overall resource budget remains within the financial remit set by the Commission; and it is the Finance Department which submits the initial estimate to the Finance Committee and Commission.

Readers may be surprised to see no mention of the Government. As we have already seen, the Treasury now has no direct control over the Houses' resource budgets. The Speaker of the House of Commons lays the Administration Estimate (and Members' Estimate); the Treasury lays the Lords Estimate on behalf of the House of Lords, but this is a formality—the Treasury does not exercise any de facto or de jure control over the Lords' estimate. That said, any serious increase in proposed expenditure opposed by the executive would face difficulties in being accepted, either in the form of a government majority (where there is one) and/or through the Leader of the House on the Commission and in the House.

The Budget Process

The budget process is largely determined by the parliamentary supply cycle.[98] Even though the Houses are financially autonomous, in practice they follow the same timetable and constraints as the executive in supply matters. This is a practical matter: Parliament agrees to the Houses' estimates at the same time that it agrees to the government's supply estimates. Formally, then, the key dates in any financial year are April, when the estimates for the Houses are laid and July, when the relevant Appropriation Act is passed. But behind these two dates lies a more complex, less transparent process. These are set out in Table 3.1 below.

TABLE 3.1 HERE

The first stage in the budgeting process for the Administration Estimate or the House of Lords Estimate takes place around June-July: the setting of the financial remit for the next financial

[97] In the Commons, a Director-General chaired the Board 2015–20.
[98] For an overview of the supply cycle, see Colin Lee and Philip Larkin 'Financial Control and Scrutiny' in Alexander Horne and Gavin Drewry (eds), *Parliament and the Law* (2nd edn, Hart Publishing 2018) 323.

year. This is a policy document which sets out the limit of resource expenditure for the House.[99] It often takes the form of adhering to a particular target, subject to a number of exceptions. Thus, the House of Commons Commission agreed a financial remit for 2019–20 that 'assumed zero growth in real terms, and that the House would absorb day-to-day upward cost pressures other than inflation';[100] with exceptions including significant enhancements to scrutiny, security, the resource implications of strategic programmes such as Restoration and Renewal, amongst others. Similarly, the House of Lords remit states the Lords will

> 'adhere to the savings target of not increasing the resource budget in real terms … subject to the need to maintain the ability of the House and its Members to carry out their parliamentary functions in changing circumstances including increased attendance, and subject to exceptional adjustments reflecting property revaluations.'[101]

The purpose of the remit in both Houses is to control resource spending, although in recent years the number of exceptions threatened to undermine this.[102] In the Commons, the remit is reviewed annually: a draft is produced by the Finance Department, scrutinised by the Finance Committee and Executive Board, with the House Commission making the ultimate decision. In the Lords, the process is similar. However, the current Lords remit was set in 2010, in the aftermath of the expenses scandal and the financial crisis. It remains in substance the same, although it has been occasionally revised. Although the financial remit is the most important self-imposed formal limit in the budget process, the Commons remit is not published annually,[103] and excerpts of the Lords' remit can found in the Lords' annual reports and business plan.[104]

Once the remit is set, two closely aligned processes begin. First, a medium-term financial plan ('MTFP') is developed. This is in part a prediction of projected expenditure, setting out resource spending for the next four years, although every year the plan is revised in accordance with changes from the previous financial year. The focus of the MTFP, however, is on the first year, which forms the basis for the next financial year's Administration Estimate. A medium term investment plan ('MTIP'), which deals with capital investment, and which is agreed to between the Houses, is also developed.

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[99] There is no equivalent for the capital budget, because capital costs are volatile.

[100] House of Commons Finance Committee (n 91).

[101] House of Lords Administration, *Business Plan of the House of Lords Administration 2019/20* (HL 2019-20 346) 25.

[102] Indeed, in the 2020-21 financial year, all exceptions were removed; and so any proposals for additional spend had to be found from the existing resource budget.

[103] The House of Commons Finance Committee did set out the remit in a rare report: House of Commons Finance Committee (n 91).

[104] See eg., House of Lords Administration (n 105), 25.

Second, the internal budgeting process for the next financial year begins. This usually starts in September and runs through till the end of the year. This involves each of the relevant House departments compiling their respective budgets and making bids for additional money or offering savings, initially through the Finance Department, which subjects department budgets to detailed scrutiny and challenge. There is then an iterative process by which departmental budgets are consolidated, scrutinised and revised by the Finance Committee and the Board. This internal process is, of course, subject to the constraint of the relevant House's financial remit. The overall draft budget is eventually submitted to the Board and the Finance Committee in November, for sign off. That version, along with the MTFP, is then presented to the Commission for final approval in December.[105] Occasionally, the Commission will insist on changes, but most of the big decisions about resource allocation have been already made in the internal bidding process. Once the Commission has signed off, this proposed budget effectively becomes the parliamentary estimate. The budgets are then issued to the budget holders in the new year.

Of course, all expenditure must be authorised by Parliament. The House of Commons Administration Estimate and House of Lords Estimate are therefore laid, or published, before the Houses in April (along with the Government's Main Estimates). Although there is the potential for debate over the House Estimates, this does not happen in practice.[106] The Estimates are then voted on and authorised by Parliament through a Supply and Appropriation Act—in July. As with government departments, the two Houses receive 'votes on account' authorised in February which provide the authority to draw down a proportion of money for the first three to four months of the new financial year, with the remainder authorised later through an Appropriation Act.

Supplementary estimates—if necessary—are usually laid and approved alongside the vote on account in February. While the vote on account relates to the *upcoming* financial year, supplementary estimates relate to the financial year about to conclude. Supplementary estimates amend the amount of money authorised by Parliament in the Main estimates, where the House expects to spend more money than the House had agreed it could.

The financial year ends in March. Draft accounts for the that year are submitted to the National Audit Office ('NAO') for scrutiny and audit in April-May. The NAO audits these

[105] The Members Estimate is also presented to the Commission at the same time, but with the Commission sitting as the Members Estimate Committee.
[106] Lee and Larkin (n 101).

accounts to check that they give a 'fair and true view' of the House's financial affairs and they have been prepared in accordance with HM Treasury's *Government Financial Reporting Manual* (as adapted or interpreted for the Houses);[107] and that any money voted by Parliament was spent on the purposes intended by Parliament ('regularity').[108] The accounts are eventually signed off by the Auditor and Comptroller-General in June.[109] The accounts are then sent to the relevant Audit Committee for further scrutiny and agreement. It is then finally signed off by the relevant Accounting Officer in the House (the Clerk), and laid in the House in July before the summer recess.

VI The Cost of Parliament

There is no doubt that the cost of funding Parliament has increased over time. But this is complicated by the way that Parliament has been funded (eg., through different votes; inflation), changing accountancy practices, organisational change and the way that data is presented. So in 2000–01, the House of Commons Administration Estimate was £240 million; the Lords Estimate £31 million. The respective figures for 2020–21 were £776 million and £182 million[110]—so the budget has tripled over twenty years.[111]

Figure 1 below sets out the House of Commons Administration Estimate; Figure 2 does the same for the House of Lords Estimate. These graphs only use the published estimates.[112] These Figures require some explanation. The Houses both follow resource or accrual accounting, following the lead of the UK government.[113] Resource accounting differs from cash accounting, which records expenditure at the point of payment. Cash accounting can distort the picture of the costs of running an organisation: for instance, the purchase of IT equipment would show a large spike in one year, but then nothing thereafter. Resource accounting smooths out expenditure, measuring costs in accruals: it takes into account that capital may be 'consumed' over time, not merely at the point of purchase. Under resource accounting, accounts are organised into two categories: resource (eg., the cost of salaries

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107 HM Treasury, *The Government Financial Reporting Manual: 2020-21* (2020) ('FREM'): this is the technical accounting guide for the preparation of financial statements.
108 See <https://www.nao.org.uk/about-us/our-work/audit-of-financ.ial-statements/> accessed 19 January 2022
109 The Audit Report of the Auditor and Comptroller-General for each House is found in their respective Annual Report and Accounts.
110 See n 1.
111 Adjusted for inflation, the 2000/1 budget would be £406 million and £52 million today, so arguably the budget has doubled rather than tripled.
112 Note that supplementary estimates are often treated separately from the main supply estimates. *Actual* expenditure for the previous financial year can be found in the annual report and accounts under the statement of parliamentary supply under 'outturn'.
113 On resource accounting in David Heald, 'The Implementation of Resource Accounting in the UK Central Government' (2005) 21(2) *Financial Accountability and Management* 163.

and administration) and capital (eg., capital purchases such as the cost of buildings and equipment).[114] For our purposes, this division of resource and capital allows us to see where money is broadly spent.

FIGURE 3.3 HERE

FIGURE 3.4 HERE

What is clear from both figures is that estimated spending in both Houses has gone up—gradually, but rising steeply in 2016-17. Moreover, whereas resource costs have risen steadily upwards, capital expenditure has risen in leaps and bounds. This is primarily due to maintenance of the current parliamentary estate (and in particular the Palace of Westminster) and purchasing new property in preparation for the proposed decant of the Palace of Westminster (see Chapter four). Maintenance of the estate and preparation for decant of the Palace has also had a knock-on effect on resource expenditure: maintenance and preparation of estates requires staff and time. Finally, it is important to note that these Figures use estimates, which are *proposed* costs. In fact, there is considerable variance between the estimates and outturn (ie., *actual* expenditure). That is, there is a consistent underspend of resources. Such variance is common in public sector bodies, but the variance in underspend has also been increasing over time, particularly in the Commons. This is primarily due to the unpredictability of capital projects.

Finally, it is worth noting that the House of Lords Estimate is much smaller than that of the House of Commons Administration Estimate: in the past decade, the cost of the Lords has usually been less than half that of the Commons. The House of Commons bears most of the costs of administration and the estate: it is the larger House (in terms of attending members and staff).[115] But at the same time, the Lords Estimate includes not just administrative and estates costs, but (amongst other matters) also allowances and expenses paid to Members of the House of Lords and assistance to opposition parties. That is, the Lords' estimate is the functional equivalent of three core sources of funding for the Commons combined.

VII Parliamentarians and the Challenges of Scrutinising Parliament's Budget

[114] These are then subdivided into Departmental Expenditure Limits (DEL), or expenditure which an organisation can control; and Annually Managed Expenditure (AME), or costs which are difficult to predict, but for our purposes this is not necessary to know.

[115] Even though there are over 800 peers currently in the House of Lords, daily attendance is low. In 2019-21, for instance, the average number of attending peers was 352: <https://www.parliament.uk/about/faqs/house-of-lords-faqs/lords-sittings/> accessed 22 December 2021.

Financial scrutiny of the budget—and indeed expenditure—is primarily done by the Finance Committees. As we have seen, the Committees do much of the preparatory work on the remit and the budget before these reach the Commissions; but the Committees also receive quarterly reports of financial performance and updates on major areas of expenditure (eg., large capital projects). The Committees subject these reports to varying degrees of scrutiny, often with key officials present to respond;[116] and the Committees have not been afraid to be critical (although this is rarely publicly documented).[117] The Commissions play little role in detailed scrutiny of the budgeting process: they meet irregularly and have a much broader set of duties, of which the budget is but one. The Public Accounts Committee (PAC) may also choose to scrutinise expenditure made by Parliament, since its remit covers any expenditure authorised by Parliament.[118] In practice, PAC rarely does so, although it has examined Restoration and Renewal (see Chapter four in this volume).[119]

However, the Finance Committees face an uphill battle in their scrutiny and influence over the House budgets. There are a number of reasons for this. The way that data is organised in the supply process means that the relevant information is not easily understood. This was a criticism made by House of Commons Public Administration and Constitutional Affairs Committee's report on government accounts; but it applies with equal force to the parliamentary budgetary process.[120]

Moreover, when presented with draft budgets, the Committees are usually given financial data from the previous year rather than a range of years—this, coupled with the fact that parliamentarians tend to be limited in time, information and expertise, means that parliamentarians tend to look at changes in the margins.[121] That is, they often focus on the difference between the proposed costs of the next financial year, and the costs of the previous financial year.

Closely aligned with this is that a large proportion of proposed expenditure is outside the control of parliamentarians. This expenditure is 'fixed', in the sense that it relates to matters

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[116] See, for instance, the minutes from meetings of the Lords Finance Committee: <https://committees.parliament.uk/committee/364/finance-committee-lords/publications/4/minutes-and-decisions/ > accessed 19 January 2022

[117] For instance, the Lords Finance Committee declared the Senior Responsible Owner system for major projects was 'not fit for purpose' in 2020: House of Lords (n 94), 65.

[118] House of Commons Standing Order 148.

[119] House of Commons Committee of Public Accounts, *Delivering Restoration and Renewal* (HC 2016-17 1005); *Restoration and Renewal of the Palace of Westminster* (2020, HC 1549).

[120] The House of Commons Public Administration and Constitutional Affairs Committee, *Accounting for Democracy: Making sure Parliament, the People and Ministers Know How and Why Public Money is Spent* (HC 2016-17 97).

[121] There may be some pushback from non-executive members who sit on the Commissions, but at that point much has already been decided.

such as staff salaries and ongoing multi-year capital projects, which cannot be simply cut or stopped. There is a similar problem in the House of Lords: for instance, members' allowances and expenses, and shared services are all fixed—the first because the House cannot control the attendance of peers or their expanding numbers; the second because shared services are determined principally by the Commons.[122]

There have been some 'zero-budgeting' exercises, where Finance Committees have asked for particular projects or departments to justify their costs (from a 'zero base'), regardless of what the existing budget is. One such exercise took place during the imposition of a savings policy between 2010 and 2015; and there have been zero-based approaches on selected issues since. But this is uncommon. Zero-based approaches are disruptive; they are also difficult because most projects are not limited to a single year; and in any case, parliamentarians rarely had the time and perhaps will to follow through.

The Finance Committees meet only once a month—unlike other select committees, which often meet multiple times in a month.[123] The Finance Committees are lightly staffed, with a single clerk (who often serves other domestic committees as well) and have no additional expert support.[124] By contrast, Commons select committees may have 8-10 staff, including clerks, press officer, committee specialists and specialist advisers or legal counsel. Lords committees have fewer staff attached (often 3-4 staff), but this may be offset by committee members having subject matter expertise. Of course, the remit of the departmental select committees is much wider than domestic committees: select committees aim to cover the vast work of the executive; whereas domestic committees are covering the relatively uncomplicated work of Parliament.

However, as we saw from the previous section, successive Commissions have long practiced self-denial in budgetary matters. Perhaps the primary consideration behind *any* financial scrutiny or decision—of the remit, the proposed estimate, and actual expenditure—is the fear of public disapproval. Worries about what 'the public' would think about parliamentary expenditure was a persistent theme in interviews with parliamentarians and officials, and was often cited as a consideration against any significant increases in the budget. Fear of public opprobrium over politicians 'lining their own pockets' is a major reason why the

[122] One estimate is that 60-70% of House of Lords spending is via the House of Commons, shared services and third parties: House of Lords (n 94), 13.
[123] In fairness, Finance Committee chairs may do a great deal of work behind the scenes—preparation, following up and liaison work with the various actors in the budget process.
[124] The Finance Director (head of the Finance Department) will often attend committee meetings, but they have a dual role: they may advise the Committee, but may also be there to defend the House service or administration.

2008 expenses scandal came to be: MPs' salaries were deliberately kept low, and 'hidden' expenses were a means of 'topping up' those up.[125] And it is a major reason why the Restoration and Renewal Programme remains controversial, even though a Joint Committee recommended in 2016 that a full decant of the Palace of Westminster was the most cost-effective option (see Chapter four).[126]

This fear of the public provides a kind of discipline to financial scrutiny: it explains why although it is theoretically possible for each House to (say) double their budget, this does not in practice happen. It explains why there has been a long policy of relative financial austerity by successive commissions: it ensures against excess or reckless spending. But it also means that what the *institution* might need (for instance, additional or targeted funding) may not be at the forefront of the minds of those parliamentarians involved in the budgeting process. Rather, what matters is how proposed expenditure will be perceived by the public. Indeed, it is not clear who, and how, the institution's interests are represented at all in the budgeting process.[127] The result is that the budgetary process as a whole is incremental, in terms of how decisions are reached and in terms of outcome.[128]

VIII Conclusion

We can draw a number of conclusions about Parliament's budgeting process.

The first is that although the Houses' relative financial autonomy from the executive was not acquired in a fit of absence of mind, it was certainly not at the forefront of the minds of key actors either. Constitutional principle rather emerged incrementally in the interstices of concerns about internal administration.

The second is that although in principle the Houses of Parliament are constitutionally autonomous in respect of their funding, and could raise proposed expenditure at any time, in practice there are a number of constraints. There are practical constraints which have a real impact, such as following government accounting practices and the supply estimate cycle. There are also procedural constraints, in the form of the financial remit and the MTFP.

[125] Emma Crewe and Andrew Walker, *An Extraordinary Scandal: The Westminster Expenses Crisis and Why it Still Matters* (Haus Publishing 2019).
[126] Joint Committee on the Palace of Westminster, *Restoration and Renewal of the Palace of Westminster* (2016, HL 41, HC 659).
[127] David Judge and Cristina Leston-Bandeira, 'The Institutional Representation of Parliament' (2018) 66 *Political Studies* 154.
[128] See Aaron Wildavsky, *The Politics of the Budgetary Process* (Little, Brown, 1964).

There are also significant political constraints. One is the executive. Although formally it has no direct control over the financing of Parliament, the executive can be influential through a parliamentary majority, and/or through the Leader of the House. But the biggest constraint on spending is a self-imposed one: the fear of public disapproval. The fear of public outrage over parliamentary expenditure was a persistent theme in interviews with parliamentarians and officials, and operated as a major constraint on proposed and actual spending upwards.

The third conclusion is that there is a general lack of transparency concerning the budgetary process for the two Houses. There is no clear public text. The annual report and accounts for both Houses present the annual estimates and outturn, but say little of how those figures were arrived at, or what they mean. The way that data is organised and presented means it can be difficult to comprehend. Similarly, the financial remits—the most important formal financial constraint on each of the Houses—are not published annually. The Commissions and the Finance Committees of the two Houses rarely publish or publicise their deliberations on budgetary matters. Meetings of the Committees or Commissions are almost never open to the public.

Moreover, there is a lack of clarity around the particular roles of the different actors. While the Commissions may exercise the ultimate power of decision-making on budgetary matters, in many areas the substance of decisions is made by other actors. The Finance Committees in particular may have more power than they realise—but because of member turnover and perhaps a lack of expertise or interest, their potential goes unrealised. Transparency is certainly not an unalloyed good, but more publicly accessible and comprehensible information, and greater clarity about Parliament's budgeting processes, would be beneficial.

The fourth conclusion is that the majority of parliamentarians appear uninterested in the budgeting process of Parliament. This lack of interest stems from limited data, limited support and the difficulty of dealing with a mass of detail; but it is also because parliamentarians have other priorities—party politics, policies and re-election. Thinking about the strategic priorities of the institution is not a priority for the great majority of parliamentarians.

As a result of these constraints within which Parliament is operating, the funding of the Houses of Parliament tends to be incremental, and backwards-looking. Costs have slowly crept up over time, and the key arrangements remain as they are because they have always been that way. There are occasional reforms and attempts at zero-based budgeting, but forward-thinking, systematic action from the Houses is very occasional. Fear of public disapproval is not a strategy: it is a recipe for keeping things as they are. It is a sad tale, but one familiar to any student of parliamentary reform.