

Regulating the Regulators

Parliamentary Accountability
and the Quango State

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About the author

The Rt Hon Lord Tyrie was Chairman of the Competition and Markets Authority from 2018 to 2020. He was MP for Chichester from 1997 to 2017. He has chaired numerous Parliamentary committees, including the Treasury Select Committee and the Liaison Committee – the Committee of Select Committee Chairmen. He was also appointed by Parliament to chair the Parliamentary Commission on Banking Standards, the first of its kind in a hundred years, in the wake of the Libor scandal. He has written extensively on public policy issues.

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Introduction

Quangos – public authorities and regulators – are increasingly powerful. But their accountability is increasingly patchy. The sheer overload of quango-related work now expected of Parliamentary committees, along with other distractions, has left far too many important decisions under-scrutinised and remote from those most affected, the electorate and the consumer. Trust is a casualty.

‘A primary job of most regulators is to to create and maintain effective markets in the service of consumers, and public confidence in them’

Quangos now play a decisive role in a great deal of British public life. Foremost among these is the Bank of England.¹ The breadth of its responsibilities and the depth of its powers are unmatched among the world’s major central banks. Many other regulators and public authorities are also charged with huge powers and responsibilities, making decisions that affect the lives of millions. The regulated sector, overseen by a group of major quangos, probably amounts to around 20 per cent of the UK economy.² A primary job of most regulators is to to create and maintain effective markets in the service of consumers, and public confidence in them. But many of their decisions go scarcely scrutinised or challenged from year to year by Parliament. The scrutiny of decisions by government ministers on other issues – and even of the advice given by officials before they are taken – is often much greater.

1 In what follows “regulator” is used loosely to describe the functions of the Bank of England; it performs a number of other major functions including micro-prudential supervision, responsibility for the conduct of monetary policy, and also aspects of financial policy.

2 Derived from ONS data. National accounts data does not enable calculation of a precise figure. The share will rise with the government’s decision to regulate online activity, currently on an upward trend.



This paper proposes a remedy: a new specialist body giving Parliament the scrutiny tools and access to detailed expertise that its already hard-pressed select committees require for effective oversight. The proposal formed part of my evidence, both oral and written, to the House of Lords Economic Affairs Committee (EAC) inquiry into quantitative easing, hence the use of the Bank of England as its primary case study. It suggests a form of Parliamentary scrutiny aimed at ensuring that the Bank is capable of withstanding threats to its independence, and that its powers – not merely those over monetary policy, post-crash financial stability, prudential regulation and quantitative easing (QE), but also the substantial additional powers which have been repatriated, post-Brexit – are thoroughly examined.

As the paper goes on to argue, such an approach can also serve as a beacon for Parliamentary oversight of under-scrutinised bodies like the Competition and Markets Authority (CMA), which I chaired until recently, and the regulators of the former nationalised industries.³

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The paper begins by assessing the state of the Bank’s independence and threats to it, both generally since 1997 and in the specific light of the emergency decisions of the Bank to return to QE, taken in March 2020, as well as in the context of a deterioration of public confidence in a number of regulators, now evident. It suggests some steps that the Bank itself may take to start restoring such confidence before examining Parliament’s current response. It proposes the creation of an expert body to bolster Parliament’s practical capacity to scrutinise the regulated sector, by particular reference to the Bank of England and the Financial Conduct Authority (FCA). And it explains how this can act as a blueprint for better scrutiny of the work of quangos more broadly, and why it is badly needed.

³ No attempt is made here to weigh the merits of independence of any of these regulators, nor of the dilution of the Bank’s independence. For an assessment of the CMA, see my recent paper “The CMA: A Reboot for the 2020s”, jointly published by the Centre for Policy Studies and the Policy Institute at King’s College London.



1. Bank of England independence since 1997: some initial observations

The Bank of England, and its statutory independence, have both shown themselves to be useful to the Government in successive crises. Recently, the Bank has contributed to the stabilization of financial markets during the Covid crisis, and its independence has probably reduced borrowing costs. But the Bank has a relatively short-dated tenancy on independence; certainly not a freehold. Independence will last only as long as the political class remains convinced that it delivers some clear economic or political benefits for them.

Economic benefits may be reaped in the narrow sense that the decisions themselves might be of higher quality. They may also be quasi-political and include distance – and hence protection – for the political class from decisions which might otherwise provoke criticism of that class. Wider benefits may come in the form of greater public acceptance of unpopular decisions when explained by technocrats, instead of politicians. Both may bolster market confidence and reduce debt service costs.

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In weighing the merits of independence, the political class in the UK will be sensitive to the electorate's expectations. Central bank independence in this country has no protection from a written constitution. It is not underpinned by a deeper consensus about the dangers of any alternative, as was the case with the Bundesbank. Nor is there any wider political project to support independence, trumping other objectives, as has been the case with the European Central Bank.

At the time of the legislation, and going back nearly a decade before 1997, the benefits of independence were seen by many to be twofold: first, to secure price stability within an institutional framework with a life longer than the electoral cycle;



second, by doing so, to reduce the vulnerability of the country to the appalling and corrosive social consequences of inflation, which rewarded union power and brought deep unfairness with the taxation of savings. It is important to bear in mind those original purposes when thinking about the future of independence.

The impression of these benefits has been somewhat eroded over time. First of all, a large proportion of the population don't remember inflation and its ghastly consequences.

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Second, the Bank has needed an indemnity to run an anti-deflationary policy. It means that the Treasury and the Bank are locked together in policy-making. They will remain so while the indemnity remains. The indemnity, agreed in 2009 and discussed further below, requires the Treasury to indemnify the Bank for any losses incurred via the operation of the Asset Purchase Facility (APF), which is how the Bank engages in quantitative easing.⁴

Third, while people have forgotten the distributional consequences of inflation, politicians and others are now very aware of the distributional consequences of the policies to deal with deflation: QE and all that has come with it. Some blame already attaches to the Bank for that. It is probably growing.

Fourth, the further statutory responsibilities given to the Bank since 2012 add to the areas for which it may be blamed. Power over aspects of housing policy and mortgage lending – given to the Bank in 2015 – is a prominent candidate, among others.

4 The “Deed of Indemnity”, executed by the Treasury and the Bank, provides for the indemnification of QE with fiscal receipts, and the transmission to the UK’s Consolidated Fund of the accumulated profits of the APF.



Fifth, the Bank of England's independence was underpinned for a decade after 1997 by a wider consensus about how to run the economy. It wasn't just stable prices that became part of the consensus, but much else besides: the wider benefits of free trade, the development of trade in services, capital market liberalisation, competition policy put at arm's length from politicians, and so on. This was the era of globalisation and technocratic governance proceeding on many fronts. That progress has stalled. In some cases, it has gone into reverse. It is under political attack in many Western societies, and increasingly blamed for a number of social and economic ills.

Sixth, central banks can easily be caricatured as living in ivory towers and behind marble walls. They are therefore particularly vulnerable to the decline in deference and erosion of trust now apparent in most institutions. This is now evident in public discourse right across the board: it is harder to think of institutions that haven't suffered that erosion than to think of ones that have.

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Populist nationalism and highly interventionist socialism now both have room to breathe in many Western societies, particularly the former. Both have been part of recent political discourse in the UK. Neither sit easily with central bank independence and the visible and formal separation of fiscal and monetary policy – at an operational level – which was part of the intellectual framework in the first place.

This is quite a long list. None of the points are decisive. What protection is available for independence against these risks, in addition to the perceived benefits outlined at the start?

First, it is widely held that the passage of time tends to entrench Bank of England independence year by year. In principle, I agree: the mere speculation that an incoming government might remove independence could severely damage



market confidence and economic confidence, thereby prejudicing that party's electoral prospects.

Still, while the removal of formal statutory independence itself might be unlikely, it is certainly not implausible that there could be some change in the Bank's remit that would, in practice, greatly compromise its independence. "People's QE" fell into this category.⁵ So might a number of policy responses which may be required to handle any substantial increase in interest rates. The APF had already greatly exacerbated this risk, even prior to the doubling of QE in response to Covid-19.

It is the sheer scale of QE, now around 40 per cent of GDP, which makes such a compromise of independence much more likely. It could possibly come as a frontal assault, with suspension of independence under existing legislation.⁶ Far more attractive to politicians might be the retention of notional central bank independence, as cover for its loss.

The longer that the indemnity remains, and the more that fiscal and monetary policy are seen to come together in QE, the more the sense is created that the Treasury has a role, possibly a major role, in monetary policy. Allegations of "nods and winks" by No 11 will grow. The Lords EAC has recently heard several when taking evidence.⁷

‘It is certainly not implausible that there could be some change in the Bank’s remit that would greatly compromise its independence’

There is, of course, an attempt to provide visible separation in the APF. But that wouldn't fool anybody, least of all Parliament, were the Chancellor required to raise taxes or cut spending – and on a huge scale – to indemnify the Bank.

5 Although, arguably, it might have necessitated legislation.

6 Section 19, Bank of England Act 1998.

7 For example, Paul Tucker at p. 16 ([link](#)) and Lord Turner at p. 9 ([link](#)). See also Mr Cummings' recent evidence to the Health and Social Care and the Science and Technology Committees (Q 1023).



Second, there could be scope for creating constitutional protection in the UK for independence: some sort of obstacle to new legislation compromising it. A second chamber, which might not have a government majority could, in principle, fulfil this role. Parliament could, in theory, put on the statute book something that would give the Lords an explicit role with respect to Bank independence, for example, by curbing the Commons' supremacy under the Parliament Acts.⁸ Constitutional protection for central bank independence is provided in a number of other countries. But the UK won't have a written constitution with a body of higher law any time soon.⁹ It would also probably be of very limited value. The Lords, worthy though it is, and adding value, lacks the moral authority – as an appointed House – to exercise even the powers it currently possesses.

**‘ The Bank is very vulnerable to politicians
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The above points – many of which have long been recognised – suggest that robust Bank independence is more fragile in the UK than outward appearances indicate. This leads me to several conclusions.

First of all, the Bank should, publicly if necessary, resist overload of responsibilities. The Bank is very vulnerable to politicians with a problem handing it over to someone else: the offload of the hot potato. The FCA, and Financial Services Authority before it, have been victims of that political culture. Arguably, “offload” has already brought “overload”: ever greater responsibilities handed to the FCA, with unrealistically high expectations among the political class about what is achievable. The Bank might become another such victim. In some respects the offloading has already begun.

8 Currently, the only power commonly held to fall into this category is the Lords' veto on any Commons' attempt to extend the life of a Parliament. The affirmation procedure for Statutory Instruments also gives an absolute (although rarely used) veto to the House of Lords.

9 I'd be a sceptic of the wider benefits – and sensitive to the risks – in any case.



Second, there is no substitute for the Bank carrying on with whatever is required to build and entrench decision-making by explanation.¹⁰ It already does a lot of explaining, but there is room for more. For example, the verbatim minutes from the emergency meeting of the Bank’s Monetary Policy Committee (MPC) on 19 March 2020 – where it decided to open the QE floodgates in response to Covid-19 – should have been made available to Parliament.

‘ There is no substitute for the Bank carrying on with whatever is required to build and entrench decision-making by explanation ’

The main objections, in a nutshell, are generally held to be that to do so would create a precedent, leading to more frequent such requests, and that it would influence and erode the quality of the MPC’s deliberations, with participants weighing their contributions against how they would be perceived if given an early public airing. Some may also argue that publication might be deleterious to the public interest on several other grounds, including unfair treatment of individuals/officials, especially junior staff; the effects on markets; and a potential breach of commercial confidentiality (leading to greater difficulty in securing information in the first place).

But all such objections can readily be met. Reassurance can be obtained by Parliament without the need for publication. Numerous precedents for doing so were established by the Treasury Select Committee (TSC) and by the Parliamentary Commission on Banking Standards a decade ago (a number of these were set out in “The Poodle Bites Back”, Centre for Policy Studies, 2015). All of these efforts

¹⁰ When I took over Chairmanship of the TSC more than a decade ago, I suggested to colleagues that the TSC launch a major inquiry into the accountability of the Bank of England. This was partly aimed at securing better explanations and greater transparency. Many of the proposals made at that time in the TSC’s report, and some subsequent proposals of the Commission on Banking Standards which I chaired as well, have now been implemented. Mark Carney in particular, deserves a good deal of credit for picking those up when he came in, and making sure that some were acted upon. Nonetheless, the substance and spirit of other proposals were neglected. The shortcomings of the cherry-picking are now in evidence. The need for the current TSC and Lords EAC inquiries arguably reflects it: much of the information being gleaned by them could and should already be in the public domain (or at least made available to Parliament under controlled conditions) and might well have been, had the reforms been fully implemented. See also section 3, particularly footnote 25 on p. 20.



to secure reassurance were opposed at the time by the leaderships of the Bank of England and the FCA. The sky didn't fall in a consequence of any of it. (See also Box, pp. 13-14) In any case, it is the exceptional circumstances such as those created by QE that release of the minutes to a Parliamentary Committee can address. The benefits could be considerable in terms of transparency in decision-making and accountability.

Still, this needs to be seen in context: the Bank has been very forthcoming in a number of important respects. There is already a great deal of public material available for scrutiny, and of high quality, too. And senior Bank staff, including the Governor, have recently been before Parliamentary Committees on a good number of occasions.

Third, Parliament also needs to maximise the current scope for securing good and full explanations. The decisions taken on Covid have suggested that Parliament needs more tools for the job, the merits of which are examined in later sections.

‘ The patsy conversations between the TSC and the Bank in early years of independence after 1997 subsequently developed into some robust and informative exchanges ’

Fourth, greater powers or tools to secure explanation in the hands of Select Committees requires some discipline on their part. If the Bank is to proceed by explanation, Parliament needs to show responsibility in how it goes about requiring it. The patsy conversations between the TSC and the Bank in early years of independence after 1997 subsequently developed into some robust and informative exchanges. As a result, the credibility and authority of the Bank has been greatly enhanced.

But it is also the responsibility of the TSC, and Parliament generally, to give the Bank a chance: to avoid grandstanding, to accept “I don't know” as an answer, to accept subsequent detailed written explanations as a substitute for oral questions. All of those are reasonable things for the Bank to hope for from Parliament.



Fifth, and right at the heart of the need for constant pressure to explain, is a crucial lesson from the crash. The Bank initially failed the country when the crash came in 2007-8. It was not fleet of thought enough to grasp the need to act as a lender of last resort. There was group think. The Bank was part of the same group think as everybody else. Likewise, group think played a major role in preventing the full scale of the risks inherent in asset backed securities/“slicing and dicing” from being identified.

‘Credibility is difficult to construct and easy to destroy: the ladders are short, the snakes long’

It is Parliament’s job, above all, to make sure that group think, ever present in any organisation, does not take root and dominate again. MPs and Peers need to do everything that they can to hack away at it when they see it. Committee members – and all of us in Parliament – need to remind ourselves that we are not immune. It may become evident as a proposed response to the huge challenges that any reversal of QE will pose. Transparency’s primary objective may be the bolstering of the Bank’s legitimacy, and better explanation of decisions. Scarcely less important is its capacity to stimulate better policy, as a response to constructive challenges.

With the impression of the benefits and the credibility of independence now at risk of erosion, and given the paucity of further protections available in the UK to bolster it, more rigorous and systematic Parliamentary scrutiny and higher levels of transparency may now offer the best prospect of buttressing it. Credibility is difficult to construct and easy to destroy: the ladders are short, the snakes long.



Verbatim minutes: their origins and the restrictions on their disclosure

In 2013, it came to the TSC's attention that MPC meetings were recorded and the recordings subsequently destroyed. On behalf of the Committee, I suggested that they be retained for historical purposes and for availability in exceptional circumstances. This was discussed in a TSC hearing, in public session.¹¹ In response, the Bank of England engaged the former US Federal Reserve Governor Kevin Warsh to advise on the issue.¹² The Warsh Report suggested that the tapes be turned into verbatim transcripts and the recordings subsequently destroyed, and that the transcripts should be made available after a deferral period (of between five and 10 years).¹³ In response to the Warsh Report, the Bank of England adopted an eight-year delay on publication of the transcripts of that part of the MPC meeting at which policy is decided (though less detailed minutes with votes have been published since 1997).¹⁴

The MPC believed: “that an eight-year delay for transcript publication would strike the right balance between preserving (...) a “safe space” for Committee deliberation and bolstering the transparency and accountability of its policy decisions. The choice of this delay (...) balances the length of business and financial cycles with increased accountability, while also ensuring that MPC members are not constrained in their ability to make sound policy decisions. (...) The Bank will also publish, alongside those written transcripts, key staff inputs that informed the policy decision.”

11 TSC meeting of 11 March 2014: [link](#).

12 His appointment was press released here: [link](#).

13 The report is available at: [link](#).

14 The Bank's response can be found here: [link](#).



QE, and particularly this latest round in response to Covid-19, constitute exceptional circumstances demanding earlier availability for scrutiny, albeit probably in controlled conditions short of publication, to Parliament.¹⁵

Reluctance to supply information, even in controlled conditions short of publication, may fuel suspicion that there is something to hide when, as I have suggested recently to the Lords in oral evidence, it is likely to be the case that there is nothing. It is true that an early examination of the minutes even under controlled conditions might influence the behaviour of participants when taking future decisions. But it is not at all clear that the influence would necessarily lead to poorer outcomes. The knowledge that such scrutiny could come might improve them. For example, in the case of emergency QE, it might bolster the determination of members of the MPC to demonstrate their independence.

The first verbatim minutes of meetings (of those held in 2014) should be released at the latest by December 2022, under the eight-year rule.

15 Since April 2013, the Bank has published the minutes of its Court meetings six weeks after the meeting to which they relate or, if there is no further meeting within that period, two weeks after the date of the next Court meeting. Nonetheless, pursuant to the 1998 Act, the Court may decide to omit information from its published record in the public interest, as well as information which is legally sensitive or commercially confidential. With a view to enabling Parliament to hold the Bank to account, the latter – after sustained pressure from TSC – decided to publish also the minutes of the historical Court meetings. The 2007-8 Court minutes were published at the time of the transparency report in 2014. Though the minutes of the meetings of the MPC and Financial Policy Committee have been published since 2014, the minutes of the Prudential Regulation Authority's meetings are not disclosed.



2. QE, in response to COVID: the need for more detailed Parliamentary scrutiny

Notwithstanding the longer-term challenges to independence identified in Section 1, the immediate trigger for current Parliamentary concerns about the Bank of England's performance has been the second wave of QE in the wake of the Covid crisis and, in particular, the allegation that the Bank might have been engaged in monetary financing – possibly as a result of pressure from the Treasury – in order to fund the Covid furlough and lockdowns.¹⁶ Parliament may also have had in mind new permanent powers, to be conferred on the Bank as a consequence of Brexit, not just its use of existing temporary transitional powers.¹⁷

‘The immediate trigger for Parliamentary concerns about the Bank’s performance has been the second wave of QE in the wake of the Covid crisis’

As mentioned above, important decisions were taken in March last year. The MPC's initial £200 billion of QE was intended to restore market functioning (a “liquidity channel”), without which – the Bank suggested in its written evidence to Parliament of 26 February 2021 – “an unwarranted tightening of monetary and financial conditions could have led to an even sharper contraction in UK GDP”. The MPC expanded its programme of asset purchases by a further £150 billion in November 2020.

16 As already explained, a good way of facilitating this Parliamentary investigation would have been to allow it access, from the start, to the verbatim minutes of MPC meetings. See Box for the origins of the minutes and the controversy involved in getting to the point where they have been retained.

17 The Temporary Transitional Powers permit UK regulators to delay, or phase in, the “onshoring” changes to UK regulatory requirements that arose at the end of the Brexit transition period, for up to two years from the end of transition. Regulatory powers previously exercised by EU bodies have been reassigned to UK regulators, including the Bank. In addition the Bank now has powers with respect to UK central counterparties and central securities depositories, previously exercised by the European Securities and Market Authority. The scrutiny of these new functions represent a significant additional burden for Parliament, primarily for the TSC, and is mainly technical in nature. Parliament will need to adapt and develop the necessary expertise to perform this job.



However, these decisions may also come with costs in terms of mispriced private sector risks and large public sector balance sheets; Lord Turner has talked about “lubricating the fiscal expansion”.¹⁸ Mr Cummings told the Health and Social Care Committee and the Science and Technology Committee (Q 1023): “It was the case that the Bank of England, the senior officials in the Treasury and senior officials in the Cabinet Office were saying: “We have to think about the consequences. If we do this lockdown, we will have to borrow huge amounts of money. What if the bond markets suddenly spike, go crazy and refuse to lend to us? We will then have to find emergency powers to tell the Bank of England to buy the debt etc, etc.” So there were conversations going on at the time about that possible problem – what if we have a financial crisis, a bond market crisis and sterling crisis on top of the whole health crisis? There were conversations about that and meetings with the Prime Minister, the Chancellor, the Cabinet Secretary and me to discuss it.”

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The way that these decisions have been explained is an illustration of the risks associated with the delegation of major decisions, affecting millions of people, to unelected experts – despite their best efforts.

Among the adverse consequences of these specific decisions could be, first, confusion about who really took the decision, or merely a lack of public understanding, the effect of which could be an erosion of consent from the electorate for those decisions and therefore their legitimacy. We are a long way from that point at the moment. But these things are non-linear and subject to tipping points. Secondly, the decisions may bring risks to the perception of the Bank of England’s independence, whether justified or not (“backdoor mischief”). Thirdly, there may be reputational risk to the Bank were it to find itself blamed for the consequences of subsequent interest rate rises (higher taxes/public expenditure cuts, etc.).

¹⁸ House of Lords Economic Affairs Committee, Corrected Oral Evidence: Quantitative easing, March 16 2021 ([link](#)).



The gilt purchases, and the massive expansion of the Bank's balance sheet appear, at the moment, to be a free lunch – as was the raid on the APF, made possible by further falls in interest rates after the first rounds of QE. The legitimacy of these decisions may be challenged when QE, in one form or another, needs to be unravelled, halted or indemnified.

‘ Many people argue that there is already a crisis in confidence in a number of public institutions ’

There is therefore a strong case for publication of the “Deed of Indemnity”¹⁹ to clarify the relationship between the Treasury and the Bank. High levels of public explanation and clear lines of accountability will be at a premium at that time. It would be prudent to prepare for that moment now. Arguably, publication might create a precedent, one that the Treasury would be reluctant to cede. But QE has created grounds for treating publication as a response to exceptional circumstances.

Many people argue that there is already a crisis in confidence in a number of public institutions. Parliament can ill afford to allow the Bank to join them. To its credit, the Bank of England has already done a great deal to improve the quality and variety of its explanations.²⁰ It is a leader among quangos in this respect.²¹

19 Others appear to agree. For example, Will Bateman stated in his written submission to the EAC: “The Deed of Indemnity is a contractual document between two governmental institutions [the Bank and the Treasury] which commits the UK’s taxpayers to potentially enormous liability and appears to authorise QE in the UK. It should be published.” It appears that the requirement for the Bank to seek the Chancellor of the Exchequer’s consent before any expansion of QE stems from the Deed of Indemnity. The Treasury is probably the main opponent of publication.

20 The Bank now has a substantial cadre of very senior policy committee members who get “stuck in” to the task of communicating and explaining what the Bank does, not just to Parliament but all around the country, too. In this sense, the Bank has transformed itself. From the start of 2018 to late 2020, the Bank held 138 events with businesses and the public around the country, and appeared before a Commons Select Committee 20 times (these numbers would presumably be higher in the absence of Coronavirus).

21 Andrew Bailey, the Governor of the Bank of England, has already appeared nine times since he became Governor on 16 March 2020.



Yet the need to keep Bank of England accountability in the best possible shape is all the more important given the backdrop of a deterioration in confidence, some argue a crisis, in a good number of quangos/public institutions.²²

This deterioration has probably been going on for a long while. It now shows up in surveys (trust barometers and so on) and partly explains the relevance of this paper's proposals for other regulators, not just the Bank.

‘The expectations and demands of the public from unelected bodies have increased’

Some plausible explanations for the deterioration in trust might be that, first, since the financial crash, intervention by public bodies, especially central banks, has had massive distributional consequences, between socio-economic groups and regions. This has reinforced an already growing discontent with some of the wider economic consequences of globalisation. Secondly, the expectations and demands of the public from unelected bodies have increased.

Thirdly, regulatory bodies, in a number of cases, have, in any case, started underperforming. Among other things, there is evidence of: capture by their respective regulated communities; complacency; the development of group think; an ever greater distance opening up between them and their final customers (the electorate), and inadequate, sometimes scarcely any, effort to narrow it; and insufficient challenge by Parliament. The so-called scepticism towards experts has a great deal to do with this last – if the experts aren't forced to explain, they become even more anonymous and the appearance of elitism is further entrenched.²³ Fourthly, the above has probably been associated with a decline in deference and an increase in the level of higher education in the population, among other things. Fifthly, social media platforms have rendered it easier to express, and to broadcast, discontent.

²² Evidence supporting a general deterioration can be found among other places in the Edelman Trust Barometer UK 2021 ([link](#)), the IPSOS-Mori polls ([link](#)), and the British Social Attitudes survey.

²³ The Covid crisis has done something to redress the balance of opinion on “experts”.



A major task for policy makers now is to find ways of ensuring that this scepticism and discontent does not develop into a revolt capable of discrediting the free enterprise settlement on which our society is built.

Bank of England independence, in particular, is widely held to form a significant part of that settlement. So some conclusions might be:

1. There is scope for improving scrutiny of the Bank. In any case, like gardening, it needs constant attention.
2. Shortcomings in scrutiny of the Bank may well be a symptom of much wider problems with the accountability of quangos, exacerbated by deep-seated changes in attitude towards delegation by parliaments and their electorates in many Western societies.
3. Far from being a laggard, the Bank is a leader in having tried to create the conditions for high quality scrutiny.
4. The deleterious consequences of the Bank falling short are probably greater than for any other quango. Improvements to Bank of England scrutiny, and the buttressing of its legitimacy, should therefore be a constant priority.
5. Those improvements can and should serve as a beacon for the scrutiny of other parts of the regulated sector.



3. Doing something about it

Public authorities and regulators can already adapt, or signal to Parliament that they need legislation to assist them with it. They shouldn't be waiting for a Parliamentary shove, although many do so.

As already suggested, the Bank has been doing much more than most unelected bodies to explain itself, not just to Parliament but to a wider section of the public. It has already come a long way from the secretive and relatively uncommunicative institution of the 1980s and 1990s. Nonetheless, and in addition to the challenges already thrown up by QE, there are problems to address: the apparent elitism and the Bank's very hierarchical structure among them.

Public authorities and regulators can already adapt, or signal to Parliament that they need legislation to assist them with it

The Bank could make a contribution to remedying these and other problems with proposals of its own. Among other ideas it could suggest a much more substantive and direct line of responsibility from its Court²⁴ to Parliament for regular detailed briefings, bringing the work of the Court fully into line with the recommendations of the 2011 TSC report on "The accountability of the Bank of England".²⁵ Although the

24 The Court consists of five full time members – the Governor and four deputy governors – and seven non-executive directors, appointed by the Government.

25 The 2011 TSC report on "The accountability of the Bank of England" is available here: [link](#). See in particular recommendations 1, 8-9 and 12 at pages 58-59. It is clear that neither the letter nor the spirit of the report have been fully implemented. According to recommendation 9: "[T]he ... Board [should] conduct ex-post reviews of the Bank's performance in the prudential and monetary policy fields normally not less than a year after the period to be reviewed. This would be consistent with avoiding second guessing at the time of the policy decision. The reviews should among other things enable lessons for the future to be learnt. They should strengthen the Bank's collective memory. There should be no presumption that the commissioning of a review implied that the episode or function in question had been badly managed: successes and failures should be reviewed alike. It would be a matter for the Board itself to determine when and how such reviews would be conducted, and into which issues." Transparency of the Bank's recent QE decisions would probably be much greater had the recommendations of that 2011 TSC report been fully implemented.



reformed Court has done much good work, it has fallen short of expectations outlined in the 2011 report. *Quis custodiet ipsos custodes* (who guards the guardians?) has not been adequately answered. Alongside the above, the Independent Evaluation Office could be turned into a more powerful and independent body, also with a direct line of accountability to Parliament.²⁶

‘ One of the consequences of the massive interventions that have come with the Covid crisis has been that it has legitimised much higher levels of state intervention to remedy perceived ills ’

However, it is up to Parliament as a whole to do the lion’s share of the heavy lifting to remedy problems with accountability suggested in earlier sections. The regulators and public authorities themselves can’t be expected to do all of the work.

One of the consequences of the massive interventions that have come with the Covid crisis has been that it has legitimised much higher levels of state intervention to remedy perceived ills. This reinforces a change in mood which began with the interventions after the financial crash. Politicians, reflecting the public mood, are increasingly ill at ease with leaving decisions to unelected bodies.

This change of mood is gathering pace on many fronts. As I write this, I have just read a description of Boris Johnson’s “levelling up” agenda as “a historic rejection of free market economics”.²⁷

26 The Independent Evaluation Office (IEO) was established in 2014 to assesses the Bank of England’s performance and, as a result, to increase public trust in the Bank and to improve its openness, learning culture and public accountability. The IEO is an independent unit that sits within the Bank. It operates at arm’s length from other areas so as not to compromise the independence of the Bank’s policy-making. The Court of Directors has a statutory obligation to keep the Bank’s performance under review, and the IEO supports this through its in-depth evaluations. When necessary, the IEO also supports reviews carried out by independent third parties. The IEO reports directly to the Chair of Court, who sets the IEO’s remit and work programme, typically in consultation with other Court Directors. See [link](#). Though both the NAO and the IEO provide input for subsequent Parliamentary scrutiny, they are no substitute for such scrutiny.

27 “Boris Johnson: I’ll stop brain drain to the cities”, The Sunday Times, 9 May 2021.



In other words, the current debate, in Parliament and elsewhere, about Bank of England independence is a small part of a much bigger shift in attitudes towards greater intervention among the political class. This is partly reflected in a reversal of the delegation of responsibility to unelected bodies and greater scepticism about whether it secures higher quality outcomes.

‘ There has been a growing cross-party consensus that greater political control is needed over mergers than was originally envisaged when the Enterprise Act was passed in 2002 ’

Parliament has already reacted in a number of ways. In several areas it is, in the language made fashionable by Brexit, taking back a measure of control:

1. The current inquiries by the TSC and EAC could be interpreted as a reflection of a greater Parliamentary determination to bring more sunlight to bear; in this case, on the allegations of a “behind the scenes” compromise of independence (allegations which I don’t share on the basis of the available evidence).
2. In other areas, Parliament has substituted its judgement for that of the regulators, by legislating directly. For example, when the CMA and Ofgem were unwilling or unable to act on rising energy costs through a price cap, Parliament required Ofgem to implement one.²⁸
3. There has been a growing cross-party consensus that greater political control is needed over mergers than was originally envisaged when the Enterprise Act was passed in 2002. “Public interest” tests have been added to enable Ministers to intervene in mergers affecting media plurality (2003), financial stability (2008) and public health (2020); and a new regime has recently been enacted giving far greater ministerial control over mergers that could pose a risk to national security.

²⁸ Domestic Gas and Electricity (Tariff Cap) Act 2018.



4. Committees have been prepared to use novel means to intensify scrutiny of regulators that are failing, or at risk of failure. For example, from 2014-17, the TSC deemed the FCA to be in “special measures”. Among other steps, it required that the FCA routinely submit its internal audit reports for scrutiny during this period, a deeply controversial Parliamentary intervention at the time.
5. Acting under the authority of Parliament, Ministers have sought to provide closer strategic direction to the regulators. In financial services, “remit letters” – setting out aspects of economic policy to which the regulators must have regard – have been the principal instrument by which this has been achieved, and they have grown in number.²⁹

The last section develops a proposal to create a body to improve scrutiny and accountability of quangos to Parliament. In designing it I have borne in mind that this body could and probably should form the nucleus for a more powerful scrutiny tool encompassing other parts of the regulated sector.

²⁹ Remit letters were introduced for the FCA in 2016, and for the Prudential Regulation Committee in 2017.



4. Creating a specialist Parliamentary body of expertise

I am increasingly drawn to the conclusion that the complexity and salience of the decisions that the Bank of England is now taking, and the extent to which they have been brought into areas of public policy usually considered the preserve of Parliament, requires a reconsideration of the accountability mechanisms largely constructed at the time of independence in 1997. With expanded mandates comes enhanced accountability. And accountability requires knowledge.³⁰

‘Parliament would greatly benefit from access to a specialist body of experts to scrutinise regulatory decisions’

Any improvement is likely to come only by mobilising greater expertise. Parliament would greatly benefit from access to a specialist body of experts to scrutinise the Bank’s decisions. Their work might, from the start, also examine other financial services regulators³¹ – such as the FCA (including the Payment Systems Regulator).

In time, and if successful, the body could, and probably should, serve as the basis for improving scrutiny of other parts of the regulatory state. Not only is the work of a number of these regulatory bodies extremely complex, and their decision making processes impenetrable; the extent to which a number increasingly appear captured by vested interests, and the apparent remoteness of their executives from adequate challenge and scrutiny, both point to the need for a much more vigorous response from Parliament.

30 See Lastra on Accountability at [link](#), p. 29: “The issue of technical expertise can be a double-edged sword, as politicians and MPs (as well as judges) need not be trained in monetary affairs. But holding to account an independent central bank requires such technical expertise (as well as adequate resources). It has been observed that the change of public perception towards central banks might put their independence at risk. Thus, the discussion about legitimacy and accountability is ever more relevant.” See also Goodhart and Lastra on Populism and Central Bank Independence at [link](#).

31 The financial services sector is roughly 25 per cent of the services sector; the latter forms approximately 80 per cent of UK GDP. In 2019, the financial services sector contributed £132 billion to the UK economy, 6.9 per cent of total economic output. See [link](#).



The need is growing. What follows has been proposed with these wider purposes in mind.

Objectives

The Parliamentary body's objective, which need not be statutory, would be framed in terms of providing support to the relevant Committees to carry out their functions under the Standing Orders. This would distinguish it from the National Audit Office (NAO), which has a statutory objective to examine value for money (with the "merits of policy objectives" explicitly carved out of its remit), and independent authority to carry out such examinations without seeking the approval of Public Accounts Committee (PAC).

With a simple objective to provide relevant Committees with support, the proposed body would have less autonomy than the NAO to determine its own work programme; but it would be more flexible and responsive, in that it would be able to examine the merits of decisions taken (and not taken) by the regulators (if that is what the Committees wanted it to do), and be able to carry out its work in whichever way the Committees considered appropriate.

‘ The Parliamentary body's objective, which need not be statutory, would be framed in terms of providing support to the relevant Committees to carry out their functions under the Standing Orders ’

This system of scrutiny would thereby avoid some of the shortcomings commonly identified with the NAO's value-for-money reporting (somewhat formalised, mechanical, standardised, backward-looking) and subsequent PAC scrutiny, as currently structured. (Identification of these shortcomings – which partly derives from its statutory base – should not be misinterpreted as a criticism of the NAO's role: it does excellent work in fulfilling core functions, as does the PAC.)



Work and accountability

The scope and substance of the new body's work would be a matter for the Committees to determine; a body set up exclusively with the Bank of England in mind should probably report to the TSC. Were it developed into a scrutiny body for other major regulators, the relevant major Committees would need to be involved, including BEIS, DCMS and HCLG among others. A small decision-making Committee, made up of the Chairmen of these Committees, could be charged with responsibility for allocating and dividing the resources of this new body, perhaps led by the Chairman of the TSC, or possibly one elected from among their number.

‘ The scope and substance of the new body's work would be a matter for the Committees to determine; a body set up exclusively with the Bank of England in mind should probably report to the TSC ’

The body's work would probably consist of proactive and reactive elements. The former would entail “standing scrutiny” of the financial/other regulators: as part of this it could brief, and make recommendations to, Committees on where best to focus their scarce attention.

The latter would entail responding to requests from Committees: these could range from ad hoc, informal requests, to formal commissions more akin to an NAO study.

This body might be called the “Parliamentary Regulatory Oversight Panel” (PROP) – a mouthful, but one whose acronym would at least suggest its role!

Staffing and leadership

Crucially, PROP would have a life independent of any existing Committee support team, as does the NAO now. But unlike the NAO, it would be a Parliamentary body and non-statutory. The body would be staffed and led by full-time subject matter



experts – that is, those who had, or could develop, a deep understanding and experience of regulatory practice and decision-making.

A mix of permanent and seconded-in staff might be appropriate. This would enable knowledge of regulatory practice to be kept up-to-date, stimulate creativity and provide the sort of career opportunities that would attract the highest quality people.³²

‘ There is a strong case for giving such a body enough independence to enable it to obtain information and evidence on its own initiative ’

Unlike the Comptroller and Auditor-General, the authority of the leadership, and the body itself, would be derived from the TSC/Committees themselves, not statute. There is, nevertheless, a strong case for giving the Director (whatever his/her title) of such a body enough independence to enable the body to obtain information and evidence on its own initiative. It might need to do this on a confidential basis, with the Director responsible and accountable for deploying PPR powers under Standing Orders, subject to overall direction of the TSC/panel of Chairmen.³³

Funding

The above would require at least a dozen staff, considerably more if other regulators were included within the body's remit. This might cost £1m per year for a body with a narrower remit, perhaps up to £5m per year for something with the capacity to provide scrutiny support across the major financial services and

32 All three were in evidence among the staff of the Parliamentary Banking Commission and the TSC. But this cadre of considerable expertise was dissolved – along with the Commission – on publication of its final report, a year after its creation.

33 There is already one related precedent. For example, paragraph 154 of the Guide to the Code of Conduct ([link](#)), provides that the Lords' Conduct Committee may exercise its PPR power on behalf of the Commissioner for Standards. The privileges committee in the House of Commons has put out for consultation a report ([link](#)), which proposes a statutory power to fine or even imprison those who fail to supply people and papers. The intention is to stiffen the capacity of Parliament to obtain what it really needs to do its job in a meaningful way.



economic regulators. As a point of comparison, I am told that the Commons currently spends £18.5 million (for 270 staff) on staffing its Committees.³⁴ The Bank of England has a budget of £640m;³⁵ its expenditure on monetary analysis to support the MPC alone costs £37m.

Were the body's remit widened to enable it to examine other regulators, a useful point of comparison might be the total cost (either through levies or from the Exchequer) of the current major economic regulators. This currently stands at £1.8bn.³⁶ Set in the context of the growing vulnerability of current lines of accountability and scrutiny to challenge, both within and beyond Parliament, such an increase in Parliamentary costs would not be so concerning, particularly given the complexity of the regulatory state.

What benefits could such a body bring?

Much of the time, and despite their best efforts, their reliance on limited initial information means that Committees struggle to identify the issues for scrutiny which would yield most. Ambulance-chasing can be the consequence by default.

From this, and much of the foregoing analysis, many of the benefits should already be clear:

1. Identification of targets for investigation, based on far more detailed initial knowledge.
2. A substantial increase in the firepower of Committees to scrutinise the regulatory state, without significantly adding to the burdens of their already time-pressed Members. More scrutiny is not an end in itself. It is a means to better decisions;

34 I obtained a number of these figures by ringing senior staff and ex-staff, having found the House of Commons' annual report difficult to navigate, and certainly less than a model of transparency!

35 2019/20 figure.

36 This comprises the Bank (including the PRA) (£633m), the FCA (including the PSR) (£633m), Ofcom (£124m), the CMA (£113m), Ofgem (£100m), the Civil Aviation Authority (£153m), the Office of Rail and Road (£35m) and Ofwat (£32m). 2019/20 accounts.



to greater openness, transparency and accountability; and to greater public confidence in, and consent for, unelected power. Parliamentary accountability requires adequate funding, expertise and time.

3. An improvement in the terms of trade between Parliament and regulators, enabling staff on the new body to brief Parliamentary committees on the basis of a clearer and fuller understanding of the challenges facing regulators and of regulatory responses. The effect could and probably should be to reduce the frequency, and increase the effectiveness and depth, of the oral exchanges between the Bank and the TSC, and to increase the quality in the substantive scrutiny of other regulators.
4. Committees fleet of foot enough to scrutinise crucial issues in a timely manner, by drawing on a body with expertise. The NAO, while producing worthy – and sometimes first-rate – value-for-money reports, operates entirely through a rear-view mirror, sometimes two years in arrears. An effective body of expertise might be able to identify areas of concern at a much earlier stage before they developed into full-blown crises.
5. Continuity of staffing and, over time, institutional memory, and the development of expertise in regulatory scrutiny, itself a specialist skill. It would be for consideration by the relevant Select Committee whether the body could also appoint specialist advisers akin to those currently assisting Committees. If formed into a panel, they could assist with the development of institutional memory, provide quality control, and help the staff write high-quality reports in a language that the public can understand.
6. Much greater career opportunities for those in the regulated sector to work for a time in Parliament, providing advice on the basis of their relevant experience. Likewise, regulators would benefit from more staff with recent Parliamentary experience. Among other things, this could assist with the development of a cadre of staff more sensitive to the demands of the final consumer, and of Parliament, addressing the remoteness of these bodies.



Other possible routes to improving scrutiny

Before concluding that such a body is needed, it is important to consider other possible ways of addressing the lacunae identified above. What follows provides only the briefest of commentary on a non-exhaustive list of commonly-heard suggestions:

1. Ask the existing Committees and their staff to work harder! I don't recommend this. They are already stretched. When major events/crises come, much important (some might argue, essential) work is left undone already; and it is often routine scrutiny of the regulators that is the first to suffer.³⁷
2. Allow Select Committees to call on NAO resources. The PAC may well object, and their objections might be well founded: it might confuse lines of NAO accountability to Parliament and weaken the PAC. Deployment of the NAO is also unlikely to provide the flexibility and timeliness required by Committees' needs. In any case, although the NAO undoubtedly has intelligent and hard-working staff, it does not currently have the expertise necessary to scrutinise the inner workings of the regulatory state. In principle, the NAO already responds to requests to Committees other than the PAC.³⁸ But it decides for itself the extent

³⁷ When I was elected to the Chairmanship of the TSC, it was immediately clear to me that the scale of the demands being made on the Committee by the financial crash vastly exceeded the capacity of the staff to support it. I attempted to steer the Committee through this period by securing a large increase in secondments (including from the Bank of England). By doing so I trebled the staff complement, at virtually no cost to Parliament, and expanded the team of specialist advisers. I tried, hopefully successfully, to raise their quality. I also greatly increased the workload of the members of the Committee, some of whom complained! But all of the above was just a stopgap, somewhat dependent on personal relationships that I had built up prior to the Chairmanship, and the good will of a number of people in agreeing to secondments, among other things. It is not a sound basis for lasting improvement in the work of Parliament.

³⁸ The NAO supports Parliament as a whole and can provide information and analysis to support inquiries on specific issues in which the NAO has expertise. This discretionary support of other select committees from both houses and individual MPs does not assess the merits of government policies but only the value for money with which bodies implement those policies. The NAO has an audit perspective. Audit control provides a basis and input for subsequent Parliamentary scrutiny, as long as it is strong, accurate and independent. See [link](#). (Key reports and briefings can be found on their Resources for Parliament page: [link](#).)



to which it may accede to such requests. In practice, the NAO would probably continue, understandably, to give a higher priority to guidance from the PAC than from other Committees.³⁹

3. The House of Lords EAC could spend a little more money on its own staff, or it could recommend that the TSC do the same. If the above analysis is correct, the creation of institutional memory and therefore some long-term continuity of staffing – from one Parliament to the next – is highly desirable. But for a variety of reasons the current approach to staffing, while it has many merits, would be unlikely to supply this. The current institutional memory of the TSC, at staff level, as far as I'm aware, consists of one highly unusual and extremely able survivor (the Mikoyan of the Select Committee Advisory team).⁴⁰
4. The Commons Liaison Committee (the Committee of Select Committee chairmen) could be asked to reallocate resources between Committees to secure substantially more within the existing budget for the TSC. But this would be robbing Peter to pay Paul and would go down like a lead balloon in the somewhat unwieldy Liaison Committee of more than 30 Chairmen.
5. A new Select Committee for financial services. In practice, this would mean splitting the TSC in two – another lead balloon, this time with the TSC's existing membership. The risk here would be, at least in the short to medium term, weakening one of the Commons' best Committees. In any case, a split would confuse lines of accountability. Though they are independent (to varying

39 Following the Bank's transparency and accountability report of 2014, the Bank of England and Financial Services Act 2016 brought the Bank within the purview of the NAO value for money studies.

40 The long-term problems with staffing of and scope for improvement of the staffing of Select Committees in the Commons is a big subject of itself, involving complex issues about pay grades; the relationship between clerks and the permanent cadre of Committee specialists; the ad hoc advisers appointed on a daily rate to deal with specific enquiries; the scope for secondments and so on. The Commons struggles to recruit and retain high-quality Committee specialists largely because of an institutional reluctance to create a career path that would enable even the most senior and experienced among them to significantly "outrank" the Committee clerks. Creating such a career path would require a cultural shift: in particular, a recognition that, for effective Select Committee scrutiny, analytical and subject matter expertise is as important as procedural knowledge, perhaps more so.



degrees), the regulators are closely connected with their parent Departments, which set the policy frameworks, and often the remits, within which they operate, sometimes based on “reserve” powers to direct their work. Questions about who is accountable for which decisions would scarcely be better addressed were the scrutiny of Departments severed from that of the regulators for which they are currently accountable. One of the better principles established by the 1979 reforms was that departmental Select Committees should, as far as possible, scrutinise all of their counterpart departments’ work.

6. A beefing up, and extension of the remit, of the so-called Scrutiny Unit in the House of Commons. It currently employs around 14 staff, according to the House of Commons website. A reflection of its shortcomings might be that I doubt if the majority of MPs and Peers, still less the readers of this paper, even know of its existence. This may be because its field of specialism – supply and estimates – is recondite. In any case, it produces some good, and much necessary, work. Few economies of scale or scope would be available were its field of scrutiny increased to include the Bank or wider parts of the regulated sector.
7. The creation of a subcommittee of the TSC. The main shortcoming of this proposal is that under current Commons standing orders, subcommittees have no life independent of the main Committee. In other words, a subcommittee’s recommendations all need to be cleared by the main Committee, which ultimately carries the can for them, led by an already overworked Chairman. A reform to enable a much more independent US style of subcommittee to develop at Westminster might have merit. But it would (despite appearances) be a major change and touch on the interests – to put it mildly – of the current main Committees.
8. A joint subcommittee of the Lords and Commons, possibly of the TSC and the EAC. This could possibly have some merit, but it would suffer from objections similar to those already set out in (5) and (7). In any case, placing Parliamentarians, however well respected, in different configurations, does not, on its own, adequately address the underlying problem: namely, the need for high-quality full-time expertise supported by institutional memory.



9. Reliance on the creation of direct and robust reporting lines by the Independent Evaluation Office or the Court at the Bank, or both, to the TSC or the EAC, or both. Were this achievable in a content-laden form, this proposal would probably be the best substitute for the new Parliamentary staff body that this paper proposes. Yet it would only work if Parliament was empowered, in certain circumstances, to direct the work of these bodies. I can't imagine the Bank acquiescing. They would probably find an ally in the Treasury, too. Window dressing would be worse than doing nothing.

Precedents for a Parliamentary Regulatory Scrutiny Body

There are plenty of precedents for a "PROP" of some type. None are a perfect fit; but the proposal set out above – and even more so, the explanation of the problems requiring attention – bears a striking similarity to the analysis of the Lords Select Committee on the Constitution's sixth report of the 2003-4 session, chapter 10.

In a nutshell, this proposed that a dedicated Parliamentary Committee should be created to scrutinise the regulatory state, itself an idea partly derived from the legacy of the by then defunct Select Committee on the Nationalised Industries.⁴¹ The 2004 Lords Committee appeared to be sympathetic to evidence proposing "a regulatory committee something like the PAC – something with real teeth that can carry out investigations...".⁴² It was also accepted by the Committee that the creation of such a body may "entail the recruitment of a small number of specialists in the field. Providing such resources will add, though not dramatically, to the cost of Parliament, but the cost will be modest in relation to the likely returns." I agree.

41 According to p220 of this report [link](#), the Nationalised Industries Committee was lost in the 1979 reforms to select committees: "[T]he main post-1979 'loss' in terms of meeting numbers came with the abolition of the Nationalised Industries Committee, the Race Relations and Immigration Committee, the Science and Technology Committee and the Overseas Development Committee." According to *British Political Facts 1900-1985* by David Butler, the Select Committee on Nationalised Industries ceased to exist in 1979.

42 Ann Robinson in oral evidence. Q 487 and Q 492.



5. Main conclusions

In a nutshell, these are:

1. There is a growing, and in some respects serious, problem of accountability and legitimacy in the decisions taken by a number of regulators. The Bank of England has been a leader in responding to the problem. It needs to remain so. Its decisions are more salient and important than those of other regulators.

The Bank's new regulatory powers, conferred on it as a consequence of Brexit, are likely to increase the challenge for Parliamentary scrutiny, as will powers similarly conferred on other regulators. Apart from any purported threat to independence from QE or elsewhere, this challenge requires a bolstering of scrutiny powers.

2. Don't blame the Bank. Parliament needs to sort this out.
3. Don't look at the Bank's accountability issues and wider legitimacy problems in a silo, but in the context of the regulated sector as a whole.
4. Don't look at the problem of scrutiny, legitimacy, accountability and the securing of consent as something that might fade away with the Covid crisis, or with further distance from the banking crisis. Parliament needs to adapt to what amounts to a long-term transformation of the demands that the public are increasingly making with respect to the regulated sector.⁴³
5. Don't underestimate the need for Parliament to adapt: the transformation of public attitudes taking place and the public's increasing scepticism of the degree to which the regulated sector is working in its interests may well spill over into dissatisfaction with politicians, Parliament, and by implication, the latter's work to scrutinise these bodies on their behalf.

⁴³ Whether about energy prices, their struggles with Openreach, "rip offs" in financial sector products, housing costs and Bank decisions, or whatever.



6. Parliament has been struggling to adapt to the growth of the quango state for a long while. The limits of its scrutiny tools were exposed at the time of the financial crash. This was partly shored up by stopgap measures and the fortuitous coincidence of enhanced legitimacy afforded by election of Committee chairmen. Over a decade on, further adaptation is now required. The body that I propose can supply much of it.

The wider public are unaware of – and even Parliament itself underestimates – the extraordinary success of Select Committees in producing so many bricks with so little straw. But the time has come to provide them with some more. Indeed, it is probably long overdue.

Glossary

APF	Asset Purchase Facility
BEIS	Business, Enterprise and Industrial Strategy Committee
CMA	Competition and Markets Authority
DCMS	Digital, Culture, Media and Sport Committee
EAC	Economic Affairs Committee (of the House of Lords)
FCA	Financial Conduct Authority
HCLG	Housing, Communities and Local Government Committee
IEO	Independent Evaluation Office (of the Bank of England)
NAO	National Audit Office
Ofgem	Office of Gas and Electricity Markets
Ofwat	The Water Services Regulation Authority
PAC	Public Accounts Committee
PPR powers	A committee's power to send for "persons, papers and records"
PROP	Parliamentary Regulatory Oversight Panel (as proposed here)
PSR	Payment Systems Regulator
QE	Quantitative easing
Standing Orders	Procedural rules according to which Parliament governs itself
TSC	Treasury Select Committee



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