



HM Treasury

Review into the pre-release of Budget information

July 2013



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ISBN 978-1-909790-17-9
PU1546

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Introduction

1.1 Shortly before your Budget statement began on 20 March 2013, significant elements of the announcement were put into the public domain through the Evening Standard's publication of its front page on Twitter. This included the main elements of the economic and fiscal forecasts and changes to income tax allowances, alcohol and fuel duties, and public spending plans.

1.2 As a result you asked me to:

"conduct a review into the practice of the proactive pre-releasing of budget information under embargo on Budget day which has operated in recent years ... [and] report on the appropriateness of these arrangements."

1.3 This review took evidence from officials currently responsible for communication of Budget announcements and their predecessors where they were still working within the Civil Service. As a result it provides a description of practice from 2005 to the present day. The review focused largely on the activities of permanent civil servants rather than special advisers, since the evidence showed that the practice of pre-release was generally the preserve of permanent officials. The review focused in the communication of the core of the Budget rather than individual measures within it. By the core, I mean the economic and fiscal projections, the fiscal judgement and individual tax rates, reliefs and allowances. I am grateful to Jonathan Mills who helped me with the review.

1.4 In practice the communications arrangements for Budgets and Autumn Statements (and under the previous administration, Pre-Budget Reports) are identical and therefore the review should be taken as covering both.

1.5 This note outlines:

- current arrangements as at Budget 2013;
- how those arrangements have changed over time;
- the issues of principle around pre-release of information; and
- conclusions and recommendations.

2

Current practice and Budget 2013

2.1 The Chancellor's speech to the House of Commons is at the centre of Budget day arrangements. The speech itself informs the House, and therefore the public, of all the policy decisions and forecast data in the Budget.

2.2 When the Chancellor sits down, the Budget documents are put into the public domain with physical copies released and electronic copies published on the Treasury website.

2.3 Following the Chancellor's speech Treasury Ministers, officials in the communications team, and Special Advisers work intensively with journalists to explain the content of the Budget. This includes specific arrangements for briefing the Lobby.

2.4 In addition some information has been pre-released under embargo by officials: these briefings are impartial and covered what might be seen as bad news as well as good. At Budget 2013:

- the night before the statement the Evening Standard was given a pre-briefing of the Budget, under strict and explicit embargo. An official briefed Joe Murphy, the political editor, by telephone. This pre-briefing provided the newspaper with the main elements of the Budget, including some of the economic and fiscal forecasts, changes in tax and duty rates, and public spending and other measures. The briefing excluded the new Monetary Policy remit;
- on the morning of the statement a similar briefing was provided by officials in person to the political editors of the main domestic broadcast news services. Again this was under strict and explicit embargo. No written material was given to the journalists, but they were shown a printed copy of a table setting out the main measures in the Budget which they were not permitted to take away; and
- the market wire services were provided with the key economic and fiscal data after the relevant part of the speech so that they could relay these rapidly and accurately.

2.5 In addition a teleconference was provided by officials during the Chancellor's speech in order to provide more detail to the wire services about the announcement in relation to the monetary policy framework. This was conducted immediately after the relevant part of the Chancellor's speech.

2.6 On this occasion the arrangements were not effective in ensuring that information was not released ahead of the Chancellor's speech. The Evening Standard, having received prior information as to the content of the Budget, prepared its edition. Its usual practice is to publish its front page electronically via Twitter ahead of physical copies being available in the afternoon. It appears that due to error this electronic publication was not delayed, and so went into the public domain before the Chancellor's speech. The Twitter publication was the front page, and is reproduced at Annex A. It included:

- the abolition of the escalator for alcohol duty, and the additional 1p cut in duty on beer;

- the postponement of the planned increase in fuel duty;
- the growth forecasts for 2013, 2014 and 2015;
- the increase in borrowing over the forecast, and the change in the forecast year for PSND to be falling as a share of GDP;
- the additional (quantified) reductions in public spending, and planned pay freeze; and
- specified changes in income tax and corporation tax and a more general reference to a new "National Insurance break".

2.7 While the publication appears to have been inadvertent, it was only possible because the newspaper was itself in a position to produce this full front page in advance of the Chancellor's speech, and apparently did not have sufficient internal controls to prevent accidental disclosure.

3

Operation of arrangements in recent years

3.1 Practice in relation to Budget security has evolved considerably over the last twenty years. Until the late 1990s, there were elaborate “Budget purdah” arrangements which were designed to prevent Ministers and officials having contact with the media in advance of the Budget. These were combined with a very high level of security. Only a small number of named Ministers and officials had advance access to the emerging Budget package as a whole. Advice was circulated on special paper under cover of orange cardboard folders within double envelopes. It was assigned a high level of security: “Budget Secret – Budget List Only”. However, even then the contents of the Budget sometimes leaked: for example, the Daily Mirror managed to get access to much of the content of the Budget in November 1996. And even in those days there were arrangements for giving some broadcasting staff advance access to the Budget: the Budget broadcast was routinely recorded on the morning of the Budget statement, with those involved “locked in” until the statement had been completed.

3.2 Practice began to evolve in the late 1990s. This partly reflected the evolution of Government news management in a world of 24 hours news media: the purdah arrangements steadily withered. It also reflected a growing recognition that the contents of the Budget were less market sensitive than had been traditionally assumed. There was nothing magic about the Treasury’s economic and fiscal projections in a world where numerous outlets published similar products. And the vast majority of Budget measures were not market sensitive and had often been trailed in the Pre-Budget Statement (or more recently the Autumn Statement). In addition, technological developments meant that Budget advice and analysis began to be transmitted electronically within the Treasury and Her Majesty’s Revenue and Customs, rather than on paper. Reflecting this changing environment, the Budget is classified “Restricted-Budget”, two classification levels down from the 1990s.

3.3 For the purpose of this review, I do not propose to examine how practice evolved year by year. Rather, I have looked back to the middle of the last decade. Here, the evidence suggests there has been a large degree of continuity.

3.4 As far back as at least 2005 it is clear that the broadcasters and the Evening Standard received additional briefing in advance of the Chancellor’s statement in order to permit them to report the Budget in a timely and accurate fashion.

3.5 Over time a number of factors appear to have varied, however, including:

- the extent to which additional embargoed briefings took the form of firm information in relation to specific Budget measures as opposed to a more general steer on the likely themes and content of the statement. For example, in 2005 while there was a conversation with the broadcasters, it appears to have consisted more of a run-through of the likely structure and themes of the speech than provision of specific detail by the Treasury in relation to the content. Subsequently the information provided appears to have become more comprehensive and specific. But even as far back as 2005 it appears that the detail would have been sufficient to enable the Evening Standard and the broadcasters to anticipate the overall

- approach and main elements of the Budget (since the objective was to help them to prepare for this);
- the precise timing of embargoed briefings. In particular the arrangements with the Evening Standard have changed somewhat but appear consistently to have involved significant embargoed briefing in advance of the Chancellor's statement;
 - whether or not specific economic and fiscal forecast data were released, under embargo, in advance of the statement. It is clear that by the time of the March 2010 Budget the practice was to provide these data to the Evening Standard in advance of the Chancellor's statement. Conversely this does not appear to have been the case in the earlier part of the last decade; and
 - the precise roles and responsibilities of individuals within the Treasury in this briefing process. At present the process is concentrated in the Head of Communications, and has been for several years. At previous points in time both Special Advisers, and other officials (principally the Director of Policy and Planning) have played a significant role.

3.6 The overall picture is one of somewhat more information being provided under embargo on a somewhat more specific basis through the second half of the decade. This did not reflect a formal decision by the Chancellor or the Permanent Secretary. Rather, it reflected evolving practice by successive Heads of Communications.

3.7 A number of possible explanations for the evolution in practice were presented during the review, including:

- the change, in January 2010, in the printing schedule for the Evening Standard. This moved their first edition to two o'clock;
- similarly the growth of rolling news services and increased pressure for very rapid in-depth analysis;
- the increased attention paid to fiscal and economic issues in light of the impact of the financial crisis, distortions to the numbers resulting from interventions in the financial sector and debate in relation to the scale of public sector debt and deficit. These made the fiscal and economic numbers a more core part of understanding the overall story of the Budget;
- a shift towards embargoed briefing by officials rather than Special Advisers. Given the imperative for officials to be balanced and impartial in their presentation of the evidence, this may create a pressure for more comprehensive and less selective briefing; and
- a ratchet effect whereby it is very difficult to withdraw from the practice of providing information to a particular media organisation once it has started. In particular if information has been briefed under embargo without adverse impact on one occasion it may be more difficult for officials to make the case for withholding that information in future. Over time this may create a default trend towards briefing more information under embargo.

3.8 The evidence does not provide a basis for determining the relative weight of these causes. Nonetheless a number of high-level conclusions can be drawn:

- the approach to embargoed briefing of information taken in Budget 2013 was not new and in all important respects appears the same as that taken at least since the

March 2010 Budget (the first Budget after the Evening Standard changed its print deadlines) and probably longer. This includes the approach taken both to policy announcements and economic and fiscal data;

- moreover while there have been incremental changes over time (for example in relation to the level of detail and specificity of briefing of fiscal and economic data) significant elements appear to date back well into the last decade;
- according to the recollection of the individuals concerned, there does not appear to have been any formal process of decision-making underpinning changes to how information was disclosed under embargo – rather any change appears to be the effect of an accumulation of specific decisions; and
- in this context any change in the Treasury's arrangements for pre-briefing on Budget day appears substantially less significant than the changes that took place in the external environment. In particular broadcasters and especially newspapers moved increasingly to real-time, online-focused production. This changed the risks involved in providing information under embargo. The Treasury's arrangements did not change to take account of this. Had Twitter, or similar media, existed in 2005 then there would have been little to prevent inadvertent publication of an Evening Standard front page providing most of the main details of the Budget in a way which would have presented many of the problems provided by the 2013 disclosures. The fact that no such incident occurred was as much or more a product of the fact that such media did not exist as of differences in how information was released to the media.

4

The case for and against pre-release of information

4.1 It is a long standing convention that major policy announcements should be made first to Parliament. When it comes to highly market sensitive announcements, slight variations to this practice have been adopted. For example, the major announcements on banking interventions between 2007 and 2009 tended to be made first thing in the morning when the markets were closed; the better to ensure their digestion when the markets opened. Ministers then informed Parliament later, at the appropriate point in their daily proceedings. However, not least because of its wide media coverage, Governments often use the Budget Statement as a vehicle for market sensitive announcements. But there is little evidence to suggest that the information given under embargo to individuals and organisations in recent years has included any of these market sensitive elements. And it is striking that the Treasury has handled announcements which have been genuinely market sensitive, for example on banking recapitalisation or changes to the North Sea tax regime or the recent change in the monetary policy remit, with appropriate sensitivity and care.

4.2 Nevertheless, the provision of advance access to Budget information – whatever its sensitivity – can be perceived as conferring unfair advantage to the relevant organisations or individuals. And since it undermines the convention that the House of Commons should hear it first, in my view a high bar should be set for advance release to be justified.

4.3 Of course pre-release itself may help to manage a different set of risks. It is common across Government to provide some embargoed briefing of major announcements to the media. The Office for National Statistics (ONS), for example, operates strict lock-in arrangements for the wire services around its most significant national statistics releases. In these instances participating journalists are subject to formal contractual arrangements and receive information in a physically isolated room after surrendering any communications devices. On this basis they are allowed prior access to some of the most sensitive economic data, enabling them to ensure that their reporting is accurate the moment that those data are published.

4.4 The Budget and Autumn Statement are major set-piece events. They are of unique economic significance, as they contain the Government's economic and fiscal forecasts as set out by the Office for Budget Responsibility and changes to taxes and duties. There is a clear public interest in clear and accurate communication of:

- the economic and fiscal content which may directly affect the markets. If, for example, the fiscal projections were inaccurately reported this could lead to a market response that might create significant and unfair advantage for some parties and losses for others, depending on their direct access to information. The likely confusion created would in itself lead to unnecessary turbulence and volatility; and
- the overall policy content, especially in relation to tax and duty changes, but also the wider policy announcements which the Budget may contain. The number and range of policy announcements that modern Budgets contain make the challenge for journalists and analysts particularly great. Given the high level of public focus on

Budget day itself, clear and balanced coverage of the announcements on the day provides the best opportunity of communicating effectively to a wide audience.

4.5 These arguments are substantive. But, in my view, they are insufficiently weighty to justify uncontrolled and ad hoc embargoed briefing. The question then is whether there should be a controlled pre-release under much more strict arrangements, along the lines of the ONS approach to economic statistics, or whether there should be a more substantive ban on the release of the core of the Budget.

4.6 I have considered the principles which could inform a more strict approach. In general, the risk of pre-released information leaking is likely to increase the more external parties are involved. This would suggest minimising the number of parties to whom information is pre-released, although that in itself might give an unfair advantage to those organisations favoured.

4.7 Within any given set of arrangements the risks associated with disclosure of different pieces of information clearly vary. At one extreme a major and unexpected change to macroeconomic policy could be expected to have significant market impacts. At the other there are myriad small announcements in any Budget which are unlikely to have any wider impact of that sort.

4.8 It would be possible to set a formal limit on which information could and could not be pre-released. The most obvious information to protect in this regard would be that which is market sensitive. Introducing any element of this sort, however, risks making the pre-release discussions more partial and providing a less balanced view of the overall Budget position.

4.9 If effective risk management is in place then the downsides of pre-release should become less of a concern. The ONS approach provides a high level of reassurance by physically cutting off the relevant journalists from the outside world. By contrast the events at Budget 2013 demonstrate that, in the absence of good risk management within media organisations, the well-respected embargo system does not offer the protection in practice that it should in principle.

4.10 But the tighter any codified arrangement are, the fewer the benefits which are likely to derive from pre-releasing information under embargo. If the objective is to enable media organisations (for example) to prepare their news packages and graphics ahead of the Budget, then a sufficient number of people within those organisations need to be party to the information to enable them to do that work.

4.11 In my view, the benefits of pre-release are likely to diminish the more tightly it is controlled. This suggests to me that a ban on the release of the core of the Budget is the best way forward.

5

Conclusion and recommendations

5.1 Recent practice in relation to pre-release of Budget information on Budget day appears to have been the product of a process of evolution. This has led, without any single strategic decision, to an increase in the amount of information being provided.

5.2 Each of the individual decisions that led to this appears to have been made for good reason. Nonetheless the fact that the change occurred in a piecemeal fashion meant that the overall risk was not assessed. Moreover, while the pre-release was under strict embargo terms, these were uncoded and meant that the Treasury did not have a clear line of sight to, or control over, the risk management within media organisations. With the benefit of hindsight, this was unsatisfactory.

5.3 I therefore recommend that the Treasury introduces a ban on the pre-release of the core of the Budget (and Autumn Statement), that is: the economic and fiscal projections, the fiscal judgement and individual tax rates, reliefs and allowances.

5.4 I also recommend that in future briefing arrangements for the Budget (and Autumn Statement) are only changed with your explicit agreement on the recommendation of the Permanent Secretary.

N I MACPHERSON

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ISBN 978-1-909790-17-9



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