

Review of Estimates Memoranda, September 2011

Background

1. The Scrutiny Unit of the House of Commons provides specialist support to Select Committees on financial matters, including Supply Estimates, Annual reports and related documents. The Scrutiny Unit worked closely with HM Treasury in preparing new guidance (published in Treasury's revised Estimates Manual in Spring 2011)¹ on the preparation of Estimates memoranda for Select Committees. This new guidance is designed to reflect the post-alignment Estimates arrangements.
2. Subsequently, in April 2011, the Scrutiny Unit held a seminar for the main government departments, explaining the new requirements. The seminar gave departments the opportunity to discuss with the Unit and with colleagues in other departments the issues involved and ways in which difficulties could be overcome and the new requirements met.
3. Departments prepared Main Estimates memoranda under the new guidance for the first time in Spring 2011. The Scrutiny Unit has now looked at each of the memoranda prepared by main departments and has also met a number of departments individually to discuss improvements. This note provides a short review of the memoranda prepared so far, and following the seminar and the individual meetings, makes suggestions as to how memoranda could be further improved for the forthcoming Supplementary Estimates round.

Aims/changes

4. At the seminar for departments, the Scrutiny Unit outlined what it saw as the aims for the future, in preparing Estimates memoranda:
 - To use the memo to "tell the story" of the estimate. What was planned? When? How? Why?
 - To change the focus from another structurally constrained, technical document to a genuine explanatory one
 - To drop things which added little value, particularly where they create a lot of work
 - To reflect changes to the framework (alignment, no more DEL statements etc, fewer reconciliations to explain)
 - To make Estimates memoranda intelligible to a non expert/layperson.
5. Some points which emerged from the seminar in discussion were that:
 - Better (and more) dialogue between Committees/Scrutiny Unit and departments would be helpful, including more feedback

¹ The guidance is at http://www.hm-treasury.gov.uk/psr_estimates_manual.htm (ensure page is "refreshed")

- Where possible, the aim should be to remove unnecessary information and burdens
 - More opportunity should be taken to share best practice
 - Better preparation within departments would also help
 - Earlier decisions from Treasury could prevent delays, errors and last minute changes.
6. Obviously not all of this is in the control of the Scrutiny Unit. But it was agreed that the Scrutiny Unit should review what emerged from Main Estimates, with a view to seeing what lessons were learnt and further steps taken for the Supplementary Estimates round.

Overview

7. Departments did not have a great deal of time between the issuing of the new guidance(March 2011) and Scrutiny Unit seminar (on 4 April) to prepare and finalise memoranda in time for the publication of Main Estimates, on 26 April 2011.
8. However, most departments were receptive to the messages conveyed and made efforts to move towards the type of Estimates Memorandum document being sought by Committees in the future. Further work is, however, needed in some cases and departments should be wary of complacency .

Good points

9. There have been several very good memoranda produced, and many have contained positive elements and improvements..
10. Among the positive developments have been:
- Many departments made some sensible rationalisation to Estimates structures, with the advent of alignment, which have helped in explaining what is happening and have removed the need for some of the more obscure changes which often puzzled readers
 - Most departments provided helpful comparisons with last years' figures, and were able to provide reconciliation of the new years' numbers with those in the SR settlement
 - There were some good examples of memoranda which gave relevant overviews or focused on the key changes, giving helpful information on what was happening and why
 - Some departments provided helpful tables with additional pertinent information, such as reconciliations and breakdowns where such information was helpful and relevant.

Weaker points and areas for future improvement

11. However there were also some weaker areas and ways in which memoranda could continue to be improved- more applicable in some cases than others:

- There is still sometimes a tendency to focus on certain details while missing the bigger picture. It is always helpful to step back and identify the key differences and reasons for them. And if large changes are genuinely not significant, why this is should be explained
- Some departments retain elements of repetition and duplication between the memoranda and the Estimates documents themselves. Tables can be helpful if they add useful information, but should not simply replicate information in the Estimate
- In the current environment of spending reductions, committees can be expected to want to know why certain areas are being targeted more heavily than others.
- And in connection with this, committees will also want to have some idea of the likely impact of large spending changes, particularly if a function or service is to be discontinued or scaled back. If on the other hand large scale efficiencies are expected some idea of how they are being achieved may also be relevant.
- It may be helpful to link changes with previously stated policies, announcements and the business plans of the department, particularly if the changes give the impression of being contradictory to these
- Some committees will have indicated that they would like further information or detail on specific areas of spending and these should be provided.

What specifically should departments be looking to include in their Supplementary Estimates memorandum?

12. By its nature, the Estimates memorandum accompanying a Supplementary Estimate is a little different from that required for a Main Estimate. Because only some Estimate lines will normally alter, there is less of a need to provide an overview of the department's entire spending, and more of a need to focus on particular changes taking place, especially those which genuinely create the need for the Estimate in the first place, or are significant for whatever reason.

13. In addition to the improvements mentioned above, those compiling memoranda may find it useful to:

- Consider why the supplementary Estimate is needed at all. Distinguish between genuine policy changes and changes in estimating, organisational status etc
- Focus on the areas that are altering significantly in year. Consider materiality and the drivers of change. Explain why changes are being made. For example do they result from:

- a. *Unforeseen events* eg interest rates higher than expected
 - b. *Timing changes*- something happening earlier or later than expected earlier in the year- explain what
 - c. *Estimating changes*- the information was previously inaccurate or incomplete and has been refined- explain why
 - d. *Ministerial decisions*. Priorities changed or more funding required to deliver.
 - e. *Freed up resources*- a saving has enabled more money to be devoted to a particular area, which is considered a priority
- Explain any ambit changes, new services or significant organisational changes which contribute to the need for a Supplementary Estimate
 - Any significant changes which alterations to budgets will have on the previously planned levels of service provision.

Assistance, feedback and follow up

14. If you are unsure whether your memorandum is on the right lines, the Scrutiny Unit is generally able and willing to provide support and advice in advance of the memo being finalised. If you would like to discuss (over the phone or face to face), or provide an advance draft of a memorandum, please get in touch with your Scrutiny Unit contact, preferably as early as possible. (Revised list of current contacts is below)

House of Commons Scrutiny Unit

14 September 2011

Dept	Liked	Could improve
BIS	The memorandum was generally compliant with the published guidance	Prior year comparisons at the detailed programme level were not included. More information required on movements in ring-fenced budgets
Cabinet Office	Very good memo overall with explanations given for key changes. Tables reconciling movements between 2010-11 SSE/Spending Review 2010 and 2011-12 Main Estimate were particularly useful.	Maintain the standard next time.
DCLG	Good memo overall with detailed explanation of large changes; some background on new programmes and expected outcomes	A few errors in the figures
DFE	Clear description of new programmes and those being scaled back or stopped; detailed breakdown comparing 11-12 with 10-11; budgets shown for whole SR period	No reconciliation with SR settlement given
DECC	The memorandum was generally compliant with the published guidance	Contained little on outcomes the department expects to achieve from 2011-12 spending and did not relate spending to the department's aims and priorities. Partly a consequence of an outdated Estimates structure
DEFRA	Useful summary table with explanations as an annex	Variances below 10% which are still significant may warrant explanation; could expand table to cover capital as well
DCMS	New format Estimate; Comparisons with past years (inc NDPBs); Changes since SR;	Overview of main differences and why from last year; More detail on why some particular budgets have been cut more than others; More on impacts on services and partners
DH	The memorandum was generally compliant with the published guidance	Lack of information on expected outcomes from the spending. No link with Departmental Business Plan
MOD	Simplified and consistent Estimates; commodity costs/service breakdown; comparisons with last year's budget;	The introduction, while giving an overview of the direction over the SR period, did not give specific information on changes for the year in question ; Comparisons with last year (operations); Impact on capability of specific reductions; further detail in some areas eg impairments, savings in year and Libyan operations;
FCO	Clear reconciliation of Estimate to SR outcome	More information needed on programme spending
Home Office	Effort has been made to highlight key changes rather than just everything; breakdown by Estimates Section for each year of	Could do with some more detail in places

	SR; Good use of tables to show variances clearly	
DFID	Good memo overall with explanation of significant changes.	Inclusion of tables reconciling movements between present position and as at the previous estimate/SR2010.
MOJ	-	Further discussions have been held with MoJ officials to ensure that future memorandums are in line with the new guidance.
HMRC	Description of ring fenced budgets; changes in budget between years and since SR settlement; budgets given for whole SR period	
DFT	New Estimates format and helpful dialogue with Committee	Explanation of impact of budget reductions; inconsistencies in figures in some areas; explanation of bigger picture
HMT	Clear description of budgets and use; reconciliation with SR2010 settlement; good explanations of changes to contingent liabilities	
DWP	Good memo with explanations of most funding streams and budget changes; helpful tables, simpler Estimates structure; helpful information and clearly written	One or two gaps in explaining the drivers of benefit changes which are forecast

Current allocation of Depts/Committees within Scrutiny unit (may change)

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- DH
- DECC

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- DFE
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- DFID
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- DCMS

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- DCLG
- Home Office
- DFT
- DEFRA