

House of Commons Scrutiny Unit's review of Estimates memoranda: December 2019

Background

1. Main and Supplementary Estimates are the documents which the government presents to Parliament setting out government's requests for funding. Estimates require approval of the House through Supply and Appropriation Bills before the funds sought can be released.
2. Each Estimate must be accompanied by a memorandum providing further detail and explanation of the spending plans they contain. The Scrutiny Unit of the House of Commons provides guidance to government departments on the form and content of those memoranda.

Previous review, consultation and revised guidance

3. In its 2017 report into the Estimates process, [Authorising government expenditure: steps to more effective scrutiny](#), the House of Commons' Procedure Committee recommended (para 107)

that the Treasury and other government departments work with the Scrutiny Unit to ensure that memoranda better serve the needs of users in explaining and presenting the content and purpose of each Estimate. We recommend that the Scrutiny Unit, acting on behalf of the House of Commons Service, conduct a review of current Estimates memoranda guidance, its application and adherence to it and communicate and disseminate the results of this review and of existing best practice. Select committees should follow up concerns where their departments fail in future to fully meet requirements

4. As a result, the Scrutiny Unit carried out a [review](#) which was endorsed and published by the Procedure Committee in 2018.
5. Following this, the Scrutiny Unit produced draft revised guidance for departments, which aimed to incorporate existing best practice, standardise layout and components, make the documents more useful to committees and the new wider audience of members more generally, enable rapid assimilation, interpretation and visualisation, while still allowing the memoranda to reflect the differing nature of select committee requirements and spending activities of different bodies. Adaptations and amendments were made to the guidance in the light of comments from departments, and the revised guidance was published [here](#).

Implementation

6. Departments were given the choice of implementing the new guidance immediately (with Supplementary Estimates 2018-19, in February 2019) or awaiting the new financial year (Main Estimates, April 2019). Accordingly, all departments have now produced at least one new style memorandum and some have produced two.

Procedure Committee's request to assess degree of improvement

7. Amongst the recommendations of the Procedure Committee's follow up report into the idea of a Budget Committee was the following recommendation:

We invite the Scrutiny Unit to update its comprehensive review of Estimates memoranda, undertaken in 2018, with a summary assessment of the extent to which the content and form of these memoranda has improved in line with the findings of that review.

8. Accordingly, the Scrutiny Unit has:
 - Conducted an assessment of the extent to which departments have followed the new guidance, looking at the Main Estimates 2019-20 memoranda received;
 - Identified, by department, areas for improvement; and
 - Considered whether any further changes to the guidance should be made, in order to clarify requirements or improve further the quality and usefulness of future memoranda.

Overall assessment

9. All departments have made an effort to comply with the new guidance in whole or in part.
10. Departments have been overwhelmingly co-operative, helpful and supportive in adopting the changes so far; many officials have said informally that they welcome the changes and the greater steer they provide.
11. The new design, format and guidance has also greatly assisted the Scrutiny Unit in absorption and dissemination of information rapidly for the benefit of Members.
12. Smaller departments and pension schemes' memoranda have in particular improved significantly. However, a number have not been possible to trace: they may have not been prepared at all or have been prepared but have not been sent to or located by the Scrutiny Unit.
13. There also remains a tension at times between what government is willing to provide in terms of information, and what committees would like to know, particularly at the political level. Departments understandably want to present information as positively as they can and this may involve political and managerial judgements within government on what and how much detail to disclose, and how to present it, within the terms of the guidance. This continues to present challenges.

Key findings

14. The following is a summary of the Scrutiny Unit's key findings:
 - The majority of bodies have followed the bulk of the requirements;

- Overall the quality and usefulness of memoranda has improved as a result. Information is more complete, more consistently presented, some better explanations have been provided and new information has also been included;
- Some further improvements are needed where departments are:
 - Not yet fully complying with the guidance in every respect;
 - Have adopted the guidance but could be more helpful in detail or quality of explanations; or
 - Have provided final version of memoranda late, or have had to make amendments to the initial versions of the memoranda submitted;
- Some refinements or clarifications of existing guidance are also suggested to make the memoranda more useful, or as intended. These have become evident in the course of the Scrutiny Unit's examination of the memoranda for the two latest estimates rounds;
- Some memoranda were received late, or in the case of smaller departments it is not clear whether they have been received at all. This is sometimes due to lack of clarity over who they should be sent to and whether they need to be chased; and
- Further changes to memoranda are likely to be required in the future, if the Procedure Committee's recommendation for the creation of a Budget Committee is implemented.

15. The Scrutiny Unit has assessed the degree to which each department's Main Estimates 2019-20 memoranda have complied with the current guidance, and the usefulness of those documents. Departments should contact the Scrutiny Unit (scrutiny@parliament.uk) to obtain details of the individual assessment, review what the assessments reveal and discuss further with the Scrutiny Unit and/or Select committee what specific further improvements can be made or are necessary.

Improvements seen already

16. Most departments- and many more than previously- have provided:
- Breakdowns of lower level budgets beneath Estimates subhead level;
 - Reconciliations of budgets back to the past Spending Review;
 - Explanations of large variations in spending compared to the past;
 - A mapping of spending lines to single departmental plan objectives;
 - Spending trend information over a number of years; and
 - Graphs of spending trends and high level visualisations of where the money will go
17. Most departments have put a great deal of effort into following the new standard format of memorandum and tables, enabling information to be more easily found, compared and any omissions identified. Smaller departments and pension funds have also largely followed the new, more specific, guidance.
18. Most departments have provided tables in Excel format, many for the first time.

Areas for further improvement

19. While the majority of departments have complied with the new guidance in most respects, there remain some areas where further improvement is required for some departments. These are:

- ensuring that those departments not fully complying with guidance do so in future; In most cases this involves following the formats and numbering set out; ensuring no sections are missing; following the layouts of tables required, and providing tables in Excel;
- improving the quality of explanations of variances and, in some cases, of spending lines; and
- ensuring that all departments submit memoranda, and on time.

20. In examining the memoranda so far submitted, the Scrutiny Unit has also become conscious of some ways in which the new guidance could be further improved and clarified. These include:

- clarifying some small ambiguities (eg in whether tables should show new budgets or differences from past budgets);
- seeking further explanation of what budgets cover and what they are designed to achieve, or budget changes which are below the current suggested thresholds, where such information is not evident from existing sections and would be likely to be useful to members and committees. A modification to the guidance designed to capture significant changes not currently included, without being unduly onerous, is proposed;
- improving the memoranda for **devolved administrations** further by:
 - requiring the tables to show *separately* (ie with sub totals) the funding added before and since the last Barnett transparency document, for ease of reconciliation;
 - ensuring figures within the memorandum are internally consistent; and
 - requiring some simple explanation of the main drivers of variations in funding between the current and past years (a frequent question from members);
- streamlining the submission of memoranda by requiring the emailed versions to be sent by day of publication **both** to the relevant Committee and to the generic scrutiny@parliament.uk email address, rather than either to specific Scrutiny Unit contacts or for the Scrutiny Unit to obtain via the committee clerk; and
- Ensuring clarity over the deadlines for receipt of Estimates memoranda.

Further changes

21. In the medium and longer term, further changes to Estimates memoranda may be required. Creation of a Commons Budget Committee, Commons Budget Office, greater activity by select committees in scrutiny of Estimates and /or Spending Reviews would all be likely to lead to the needs of Parliament developing, and for further review of the content and form of estimates memoranda to reflect this.

22. Until and unless such changes take place, changes required in the short term to Estimates memoranda are likely to be less radical and more evolutionary. The Scrutiny Unit will continue to monitor the usefulness and effectiveness of memoranda provided under the current guidance, and consider, periodically, what changes are considered necessary, in the light of committee activity and interest, and in consultation with government.

Follow up

23. The following specific actions are proposed as a result of this review:

For Scrutiny Unit:

- To share this review with government and invite comments;
- To identify and follow up areas of required improvement in discussion with individual relevant government departments;
- To revise the guidance to departments on preparation of Estimates memoranda. Further detail of the proposed revisions is contained at **Annex A**; and
- To continue to monitor adherence to guidance and extent to which departments are compliant.

For Government departments:

- To read and take note of the proposed amendments and clarifications to guidance. Any comments on the proposals should be sent to the Scrutiny Unit (honeysettl@parliament.uk) as soon as possible, by Friday 10 January 2020 at the latest. The Scrutiny Unit will consider comments and whether to reflect them in revised guidance, which will be published early in 2020;
- To obtain details of the Scrutiny Unit's assessment of their 2019-20 Main Estimates memoranda from scrutiny@parliament.uk,
- reflect and consider what changes/improvements are required, in the light of those assessments and in discussion with the Scrutiny Unit and/or the relevant select committee; and to incorporate improvements into future memoranda; and
- Where, for smaller departments, there is no record of an Estimates memorandum being received for Main Estimates 2019-20, either provide a copy to the Scrutiny Unit as soon as possible, or take steps to ensure that in future one is provided on time, in the required format.

For HM Treasury:

- To take note of the findings of the review and offer any comments by 10 January 2020 to the Scrutiny Unit;
- To ensure that departments are clear about likely deadlines for clearance and submission of future Estimates memoranda; and
- To work with the Scotland, Wales and Northern Ireland Offices to provide the revised format tables for their memoranda, with effect from Main Estimates 2020-21.

For Procedure Committee:

- The new Procedure Committee is invited to take note of the Scrutiny Unit's review and proposed actions and advise the Scrutiny Unit of any further actions which are required as a result.



Annex A: Issues and proposed amendments to Estimates memoranda guidance

Unless otherwise stated it is planned that the changes and clarifications should come into effect from **Supplementary Estimates 2019-20**.

Clarifying process of submission of Estimates memoranda

Issue: Some departments did not know to whom the Estimates memoranda should be sent. For small departments and pension schemes it was sometimes unclear who they should be sent to.

Estimates memoranda have a number of audiences: the relevant select committee, backbench members (who may submit bids for Estimates day debates); and the House of Commons Scrutiny Unit and Library and research service, who may use the documents to brief Members.

Committee staff sometimes take a day or two to forward the memoranda on, due to other work pressures. Scrutiny Unit staff change relatively frequently making it difficult sometimes for departments to know who in the Scrutiny Unit to copy memoranda to. Government departments sometimes have difficulty in establishing who to send the memoranda to, particularly where it is not immediately apparent which committee is responsible.

To ensure both committees and Scrutiny Unit staff have access to the documents at the earliest opportunity, the guidance will be amended to require government departments to send copies of the completed memoranda to:

- The relevant committee email address; and
- The generic Scrutiny Unit email address (scrutiny@parliament.uk).

Additionally, where the name of the committee clerk or Scrutiny Unit contact is known, and where they so wish, departments may also copy the document to a named relevant individual too.

Clarifying deadline for submission of Estimates memoranda

Issue: there was some confusion about the deadline for submitting final versions of the memoranda, with a number of emails and calls to HM Treasury and the Scrutiny Unit asking for clarity.

The deadline for receipt of signed off, final, versions of Estimates memoranda by committees is close of play on the day of publication of the Estimates, which normally takes place in the afternoon. The Scrutiny Unit welcomes early submission of final versions of memoranda and will not share contents until publication has taken place.

Confusion seems to arise because:

- The definitive date of publication is often not known until very soon before;
- Indicative publication dates are usually given by HM Treasury. These are usually earliest likely dates of publication, not necessarily actual dates; and

- PES papers from HM Treasury refer to other deadlines: for instance the dates for submitting or finalising Estimates and their memoranda within government or for seeking or obtaining HM Treasury clearances before publication of estimates and memoranda.

The guidance will be clarified to make clear that Estimates memoranda should be submitted to Committees by day of publication. Departments must comply also with internal deadlines set by the Treasury and have memoranda ready for publication for any potential publication dates advised by the Treasury.

Clarifying ambiguities and corrections to guidance/mock-ups

Issue: Some departments have been showing past budgets, rather than differences between proposed and past budgets in certain columns of certain tables within the memoranda.

For the avoidance of doubt, the guidance will be amended and clarified. Departments should ensure that:

- columns 3-6 in the tables at Sections 1.4, 1.8 and 2.3 of the memorandum show the difference between the current year's proposed budget and past budgets; and
- Similarly, columns 5 and 6 of the tables at 2.1 show the difference between the budgets compared.

Issue: the guidance and mock ups have some errors and inconsistencies in the headings, leading to some confusion among departments about what is sought

Departments have drawn attention to some minor errors and inconsistencies that need correction, between the mock up and the guidance; and within the mock-ups. These have been clarified in correspondence with departments and now need correcting in the guidance and mock ups:

- The mock up tables at sections 1.4, 1.8 and 2.3 (major departments) and 1.3, 1.7 and 2.3 (smaller departments) have a confusing heading for columns 5 and 6, which says both outturn and budget. The guidance refers to outturn only. The comparison should be with **outturn**; and
- The mock up table 2.1 for smaller departments (col 5 and 6) says "compared to last year", when it should say "compared to Main Estimate". Again, the guidance is correct and refers to Main Estimate.

Improving explanations of what budgets cover

Issue: In some cases, it has not been possible to clearly understand what budgets cover or what the spending relates to.

Estimates subhead titles in Part II of the Estimate, and the groupings of Estimates subhead titles used in Section 2.1 of the memorandum should explain the overall purpose, objectives or programme area of spending. They should, together with the detail provided for (Excel) table A, enable the reader to understand both the *purpose* and *nature* of the spending proposed.

Where the titles themselves are not self-explanatory, or indicate the purpose of funding but not its nature, further explanation should be given in section 2.1. This could for instance explain what titles of programmes mean; how funding support is given (grants, direct spending) or what spending supports (eg providing training places or running a service).

The guidance and the mock ups will be expanded to make this clearer.

Issue: some budget changes for subheads have fallen below the threshold of £10m /10% threshold for explaining variations, but are still significant in amount, or are unusual or otherwise significant

Any rule of thumb for determining when to explain changes can be somewhat arbitrary. But it is clear that explanation of every budget change, no matter how small, would be impracticable and counterproductive.

The guidance will be amended to capture some further budget changes which are very large in absolute terms but below the 10% change for which explanation is currently required. Government departments will also be invited to comment on significant nor unusual items beyond the specific criteria. The proposed change to the guidance is as follows:

Variations between the current and past budget should be given:

- *Where the variation is greater than both 10% and £10 million;*
- *Where the variation is greater than both 5% and £200 million; and*
- *Any other variation which it might be helpful to explain eg significant new spending programmes or unusual one-off spending items.*

Issue: some explanations of variances still relate more to what is altering, and how it affects funding rather than why the change is being made and its likely impacts

Explanation of variance should include:

- the rationale for the change (eg to cover inflation or drive service expansion);
- how a reduction is to be achieved (eg through reduction in staff numbers and service automation); and/or
- likely impacts (eg to boost capacity, extend programme to new parts of the country).

The guidance will be amended to make this clearer.

Improving the explanation of funding for devolved administrations

Issue: the tables at 3.3 to 3.7 contain a lot of information but it is not easy to understand how the figures within each relate to each other. Nor can they easily be related- for presentational and timing reasons- to the more detailed information currently provided annually (separately) in published block grant transparency data. A number of inconsistencies and inaccuracies between figures in different tables in the estimates memoranda have also arisen, some of which are not always apparent and/or have subsequently had to be corrected by government.

The tables at sections 3.3 to 3.7 contain a lot of information but it is not easy to see how it relates to each other and what it is telling you.

At present:

- Section 3.3 provides a reconciliation of DEL and AME to cash grant payable;
- Section 3.4 lists Barnett consequentials, by fiscal event;
- Section 3.5 provides a summary of DEL and AME control totals;
- Section 3.6 lists all changes to control totals by category; and
- Section 3.7 shows trends in spending and budget totals.

At present none of these can easily be reconciled to the separately published block grant transparency data, although HM Treasury has provided revised versions of memorandum sections with sub- totals where requested by the Scrutiny Unit, to enable this to be done more easily.

Problems with the tables as they stand include:

- the Estimates memoranda have not routinely shown which items have been added since the previous block grant transparency release;
- the labelling and sequencing of items in the block grant transparency data and the memorandum tables has differed;
- the tables have different aggregates and headings and the relationship between them is not clearly explained;
- some tables divide items into sub- categories of spending totals (eg financial transactions DEL), while others do not;
- there have been some errors in the tables provided in past memoranda, generally due to inconsistencies of timing; and
- finally, the tables are not provided in Excel, unlike those for other departments.

To address these issues the Scrutiny unit proposes:

- Combining tables at section 3.4 and 3.6, removing some duplication, including Barnett consequentials and other changes in a single table, separately identified;
- Inserting sub-totals to show what has been included previously in the block grant transparency document, and what is new;

- Labelling everything consistently, as in the block grant transparency data, for ease of identification;
- Listing changes in chronological order, within categories of change;
- Providing separate columns for different control totals, as in current table 3.6; and
- Providing in Excel.

This should save some effort on part of producers; make errors less easy to arise; and make the end result far more useful for rapid assimilation. It would also ensure that the memorandum contains all of the information needed to understand budget changes (which would not be the case if the memorandum simply listed changes since block grant transparency data was published), while enabling cross reference to this separately published data.

These changes will be reflected in revised guidance. Following discussions with HM Treasury, it has been agreed that these changes will come into effect from **Main Estimates 2020-21**.

Issue: it is not easy to identify from the memorandum the main drivers of variations in funding for devolved administrations between years

MPs are often concerned less with the fine detail of every small budget change or Barnett consequential, but more with the answer to a straightforward question: why has block grant, DEL or AME provided to a devolved administration changed in year, or between years, particularly if this is downward, or significantly below inflation?

At present no comment is made on this routinely within the memoranda.

An analysis of block grant transparency data and or the memorandum tables can help identify the differences. However, to do this easily and correctly can be time consuming, and certainly more than can be expected for an MP to be able to do themselves with limited time and understanding of how the system works.

Rather than add a further extra detailed or summary table the Scrutiny Unit proposes a commentary is provided on key drivers of change to the block grant. This would accompany the table at section 3.7 and enable a broad understanding to be gained of how any large variations have arisen. To prevent this being overburdensome, such explanation could be limited to major drivers of funding changes.

It is recommended that the circumstances in which such a commentary is provided should include (but not be limited to) the following:

- Any changes to **taxes devolved** between years (ie specify which taxes have been devolved and from when);
- Any **reductions** in funding from previous years, or compared to previous funding levels for the current year; and
- Any **major increases** in overall funding. For Main Estimates, this relates to comparison with the previous year; and for Supplementary Estimates, this relates to comparison to the Main Estimates

Where a commentary is provided it should:

- State which aggregates it applies to;
- Identify the main driver or drivers of the change in funding levels and the variation amounts which they account for;
- Add any additional useful information (eg fiscal event it relates to).

Example:

Resource DEL provided to devolved administration A decreases by £200m from 20x8 to 20x9

Narrative:

The reduction of £200m in Resource DEL provided to devolved administration A arises from a number of factors. The principal causes are:

- *devolution of air passenger duty (reducing funding provided by £300m); and*
- *Increased Barnett consequentials of £80m, arising from additional funding allocated to health in England, which is a devolved function in administration A*

These changes will be reflected in revised guidance. Following discussions with HM Treasury, it has been agreed that these changes will come into effect from **Main Estimates 2020-21**.