

# Estimates memorandum requirements: guidance for larger government departments (revised January 2020)

Each Main and Supplementary Estimate put before Parliament for approval must be accompanied by an Estimates memorandum. The memorandum must be approved by the Accounting Officer of the organisation to which the Estimate relates. The Estimates memorandum should be sent to

- the relevant Select Committee of the House of Commons; and
- [scrutiny@parliament.uk](mailto:scrutiny@parliament.uk)

no later than the day of publication of the Estimate.

Departments are encouraged to submit copies earlier if practicable.

Select committees will publish the memoranda on their webpages, following publication of the Estimates themselves.

HM Treasury will advise of earliest likely Estimates publication dates, and any earlier deadlines internal within government for clearing memoranda before the Estimates are published.

Separate guidance and mock up examples have been produced for four different types of department/body presenting an Estimate:

- Larger departments\* (excluding Scotland, Wales and Northern Ireland Offices)
- Scotland, Wales and Northern Ireland Offices
- Smaller departments
- Pension funds

\* larger departments, includes HMRC

“Smaller” departments includes any department or body presenting an Estimate, which is not included in the other categories.

The guidance below covers **larger departments** and should be looked at in conjunction with the relevant **mock up examples** which have been produced for larger departments’ Main Estimates and Supplementary Estimates.

Estimates memoranda should follow the format set out in the mock up examples, including the paragraph numbers, headings and table numbers given. The guidance below explains what to include under each of the relevant paragraphs and tables referred to in the mock up example.

## 1. Overview

## 1.1 Objectives

Use the Department's top level objectives set out in the latest version of the Department's Single Departmental Plan.

## 1.2 Spending controls.

Describe Resource and Capital Departmental Expenditure Limits (DELs) and Annually Managed Expenditure (AME) in the standard way shown in the example. Do not include categories where there is no spending. For AME items in particular this can be supplemented by particular descriptions of what those categories of spending contain for that department.

For example: Resource AME: Less predictable day to day spending: in DWP's case, mainly spending on benefits and state pensions.

## 1.3 Main areas of spending

Use an excel "treemap" to show the broad categories of spending for Resource DEL (and where significant, Capital DEL and Resource AME too). High level functional categories will suffice- these can be the same as those used in Table A (see below) but are likely often to be broader and higher level. The intention is to give a broad concept of the relative scale of spending on main functions under each budget category. The totals used should be those for the current year, taking account of the Estimate being presented ie for Supplementary Estimates, including supplementary changes.

## 1.4 Comparison of spending totals sought

Comparisons should be made for totals:

- For Main Estimates: with 1) last year's final budget (Supplementary Estimates) and 2) last year's original budget (Main Estimate)
- For Supplementary Estimates: with 1) the original budget for the current year (Main Estimate) and 2) the final *outturn* for the year before.

In each case the columns should show the difference (in both £m and %) between the proposed budget and the previous budget or outturn.

The graphic suggested is an excel 2D cluster horizontal bar chart.

## 1.5 Key drivers of spending changes since last year

This should be a high level indication of the key drivers leading to changes to overall spending levels. It should be limited ideally to between 1 and 4 bullets per spending category. Cross reference should be made to further detail at section 2.1.

Examples of key drivers:

Increases: eg Decisions to improve a service, raise its priority, deliver more or higher quality outcomes, new programmes (and their intent)

Decreases: eg efficiency savings, projects coming to an end, reduced activity

## 1.6 New policies and programmes; ambit changes

Refer to any major new programmes, new delivery mechanisms or new bodies established or receiving funding for the first time. Where these replace or absorb previous functions or bodies this should be explained. If there any major new policies, objectives or targets which affect spending these should also be referred to.

Detail any ambit changes, explaining why they are being made.

## 1.7 Spending Trends

A line graph with data labels should be provided for Resource DEL, and where significant, Capital DEL and Resource AME (if scales make this difficult to compare, separate graphs should be used).

The time series should cover at least the previous three years, the current year, and future years covered by the latest Spending Review.

The explanation should explain the broad trends, especially large increases and decreases.

## 1.8 Administration costs and efficiency plans

As with the table at 1.4, comparisons of administration costs should be made

- For Main Estimates: with 1) last year's final budget (Supplementary Estimates) and 2) last year's original budget (Main Estimate)
- For supplementary estimates: with 1) the original budget for the current year (Main Estimate) and 2) the final *outturn* for the year before

In each case the columns should show the difference (in both £m and %) between the proposed budget and the previous budget or outturn

Where reductions in administration costs have been achieved so far, the Department should explain in broad terms the main ways this has been achieved eg in terms of reductions in the size of the workforce, pay restraint, estate consolidation, re-organisation and administrative changes, charging, IT solutions etc. Where efficiencies have been re-invested this can also be explained.

Where future efficiencies are planned, an indication should be given of the ways in which this is expected to be achieved (the same types of examples apply).

If efficiency plans form part of an initiative, project, transformation programme etc, this should be referenced, but explanation of how the savings have been or are intended actually to be achieved should still be included.

## 1.9 Funding: Spending Review and Budgets

An explanation of major additional funding announced in fiscal events (Budgets and Autumn statements) or transfers of funding between government departments should be included here. Do not attempt to explain every small change- focus only on material changes or significant extra amounts of money.

For Supplementary Estimates, Reserve claims should be explained- what the funding is designed to support and why it was not previously anticipated.

It is also useful to state the form of the funding changes: Budget exchange, claim on the Reserve or additional funding, transfers from other government departments switches between Resource DEL and Capital DEL; or between Resource DEL and Resource AME, machinery of government changes, or funding returned to HM Treasury.

## 1.10 Funding: other spending announcements

Other major spending announcements (eg statements to the House or at Party conferences) by Ministers which involve reallocations of funding within existing totals and which affect the year of the Estimate should be explained here ie details of amounts, where the money came from and what it is intended to achieve.

## 2 Spending detail

### 2.1 Tables:

Separate tables should be provided for Resource DEL, Capital DEL, Resource AME and Capital AME.

The tables should compare:

- For Main Estimates- the current year budget proposed with the final budget for last year (usually Supplementary Estimate)
- For Supplementary Estimates- the current year revised budget proposed with the previous current year budget (Main estimate)

Subheads should be grouped in the same way as in table A and use the same figures, without the detail beneath subheads. We suggest you produce table A first in excel and then import a summary version into MS word here.

Groupings of subheads used here and in table A should be agreed between the department and the relevant select committee- initially in dialogue with the Scrutiny Unit. The groupings should reflect logical groupings of similar or related subheads.

The descriptions should be understandable to the lay reader and use widely understandable programme titles. While self explanatory or widely used terms or acronyms (eg Universal Credit, BBC, UN) are acceptable, avoid using titles which do not explain how they relate to spending (eg “heat”) or specialist terms or acronyms (eg NOCP, JCKP) unless they are clearly cross-referenced or footnoted to explanations.

Figures should be shown in £ million to one decimal place.

In the following circumstances, a numbered note should be included in the right- hand column. This number should relate to the explanation given beneath the table (see below):

- Where a variation is greater than both 10% and £10 million
- Where a variation is greater than both 5% and £200 million
- For benefits and pensions, where the change is more than one percentage point above or below inflation
- Changes to discount rates affecting provisions

Departments should use their discretion in including explanation of movements that might not fulfil the criteria above (eg which continue significant new types of spending or one off spending items). We recognise that there may be items of spending that the departments see as significant (such as those related to Ministerial announcements) that could be highlighted. The Scrutiny Unit also recognises that changes are likely to be much smaller in the Supplementary Estimates, and it may be that the planned budget has changed insufficiently to require explanation.

### Explanations of variances

Explanations of variances should genuinely describe the causes or drivers of variations and their likely impacts. It is not acceptable simply to state what has happened without explanation or to describe solely how changes have been funded. Make sure the explanation:

- Sets out the rationale for the change (eg a change to delivery model; a change in volumes; price inflation)
- Sets out any impact of the change (eg improved service, employment of more/fewer staff , winding up of a programme etc)

## 2.2 Restructuring

This section needs only to be included where machinery of government changes have taken place, Estimates subheads have been altered, or similar spending is recorded differently between the current and the previous year.

Left hand columns of the table should show current treatment for the current year. Right hand columns should restate last year's information on the new basis (as in Part II of the current year Estimate, in the previous year column), but with additional detail showing under which subheads funding previously sat.

Further line (s) should be provided under last year's detail explaining any difference between the restated budget for last year and the budget actually sought.

## 2.3 Ring fenced budgets

This should detail both policy ring fences and other ring fences (eg depreciation)

In each case the columns should show the difference (in both £m and %) between the proposed budget and the previous budget or outturn.

## 2.4 Changes to contingent liabilities

Give details of any new or changed contingent liabilities. Mention any that now no longer apply.

## 3. Priorities and Performance

### 3.1 How spending relates to objectives

The table should use the Single Departmental Plan top level objectives shown in section 1.1

Subheads should be grouped as in section 2.1 and table A.

A cross should indicate where spending from those subhead groups supports an objective. Spending may support one or more objectives.

In a minority of cases, Single Departmental Plan top level objectives may cover all subheads. Where this occurs, you should discuss with your Scrutiny Unit contact whether an alternative breakdown can be provided, or whether a statement that all subheads contributes to all top level objectives, suffices.

### 3.2 Measures of performance against each priority

Set out the top level Single Departmental Plan objectives that apply for the year (as in section 1.1)

For each objective the indicators that the department uses to measure performance should be listed. These should be those included in the published Single Departmental Plan.

A hyperlink or links should then be provided to latest published indicator data.

### 3.3 Commentary on steps being taken to address performance issues

For this section it is suggested that, as a minimum, information is provided on any funding specifically designed to address:

- performance shortcomings which, without new spending intervention, could lead to a legal or policy target being missed.
- an accounts qualification by the National Audit Office;
- criticism by the National Audit Office or the Public Accounts Committee eg in an NAO value for money or PAC report;
- performance criticism by a select committee;
- performance shortcomings identified by internal audit or internal management.

The section could include further detail on spending designed to address or improve performance if the department thinks it helpful to do so.

### 3.4 Major Projects

Gives details of how major projects are funded, current timescales for implementation, and intended benefits.

Include links to Major Projects assessments published annually by the Major Projects Authority.

## 4. Other Information

### 4.1 Additional specific information required by the select committee other information

Existing information already provided at the request of a particular select committee should continue to be included.

For instance:

- Spending per pupil and information on capital spending for Education committee
- Spending on military operations for Defence committee.

## 5. Accounting Officer Approval

This section provides the official approval of the Estimate Memorandum. Suggested wording below.

*“This memorandum has been prepared according to the requirements and guidance set out by the House of Commons Scrutiny Unit, available on the Scrutiny Unit website”*

*The information in this Estimates Memorandum has been approved by myself as Departmental Accounting Officer.*

*[signed]*

*[Name]*

*Accounting Officer*

*Permanent Secretary*

*[Department]*

*[Date]”*

## Table A

This table should be provided in Excel.

The figures, comparators and subhead groupings table should match that in section 2.1, but should provide lower level detail. Resource and capital DEL should be provide in Table A (i); resource and capital AME on Table A (ii).

The lower level detail should provide useful breakdowns of spending below subhead level eg:

- Discrete programmes within subheads (which should be self-explanatory or explained in footnotes)
- Arms length bodies or subdivisions of ALB spending
- Other helpful subsegments of information by programme or activity. (you can discuss further with the Scrutiny Unit or Select Committee)

A column should be provided for notes which matches references on section 2.1

## Table B

Funding changes should be detailed for the current financial year since the last spending Review outcome. These should be broken down between Resource DEL- admin and programme, and capital DEL.

Changes must be categorised into one of **three groups** and shown against the appropriate group heading. Items should listed individually, within each group in chronological order

Additional new money awarded since SR

- These should be itemised by fiscal event, reserve claim etc
- Detail of what they are for should be given
- Money for reclassifications which add to totals should be shown but labelled as such

Estimating, forecasting and reprofiling changes

- These should briefly say what they relate to
- Budget exchange should be indicated
- Other reprofiling should be indicated

Neutral funding changes

- Machinery of government changes should be shown first
- Other changes should show their purpose and the department involved