



HM TREASURY

Introduction to Public Spending in the UK

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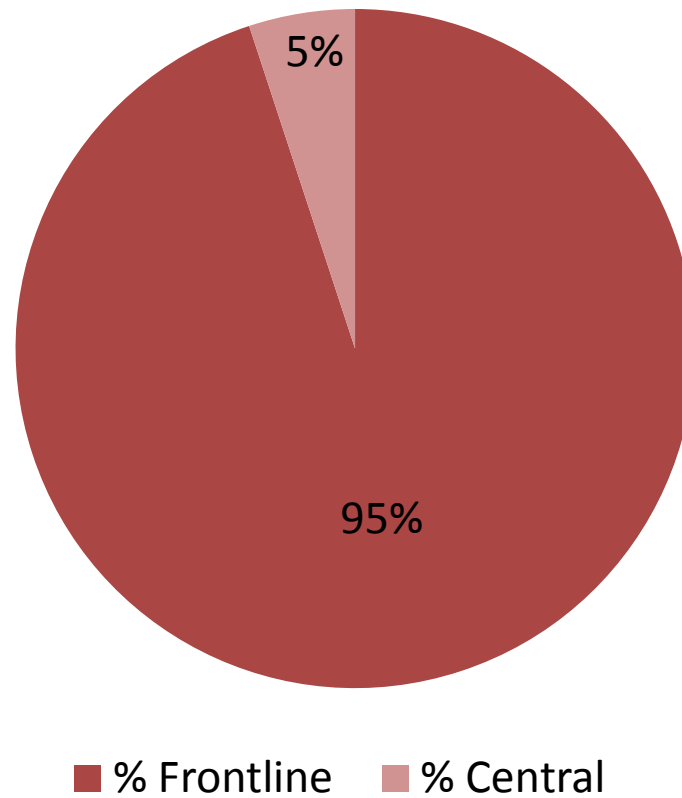
Spending control in the UK – Education

- The Department for Education (DfE) controls spending on education in England only up to age 18.
- Budgets were set up to 2014-15 in the Spending Review in 2010, split into annual budgets.
- Its budget is split between resource (ongoing spend) and capital (investment).
- Budgets are also split into fixed limits (controllable) and annually managed spend (such as pensions).



Education spending

DfE frontline vs. central allocations 2013-14

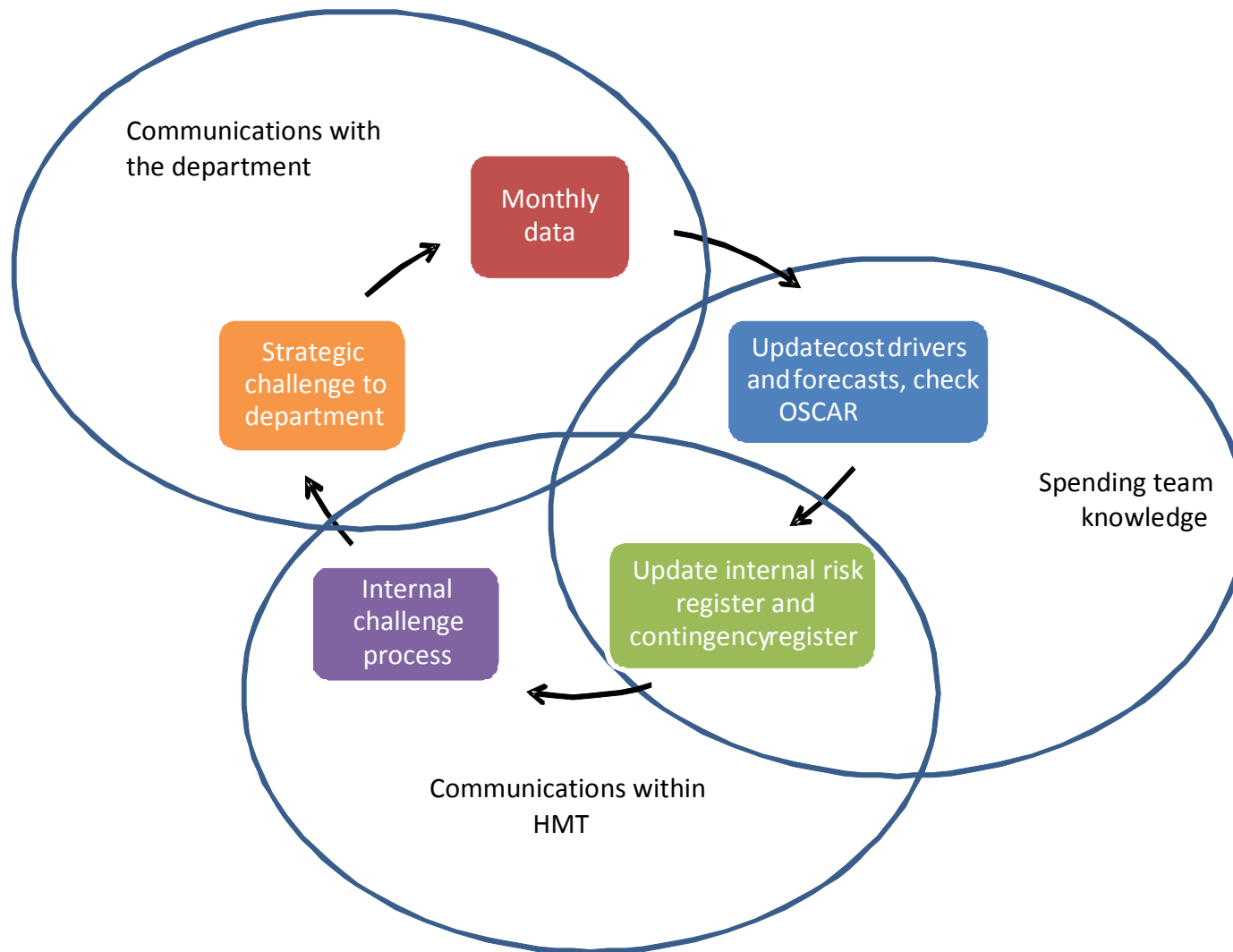


Role of a HMT spending team

- Departments are responsible for their spending.
- BUT HMT ministers are accountable to Parliament for the state of the public finances overall.
- A HMT spending team typically has about 10 staff, and may control multiple departments.
- HMT works with the department to provide support and challenge.
- The department has a delegated limit of authority, below which they manage their spend independently of HMT scrutiny.



Virtuous Cycle of Spending Control

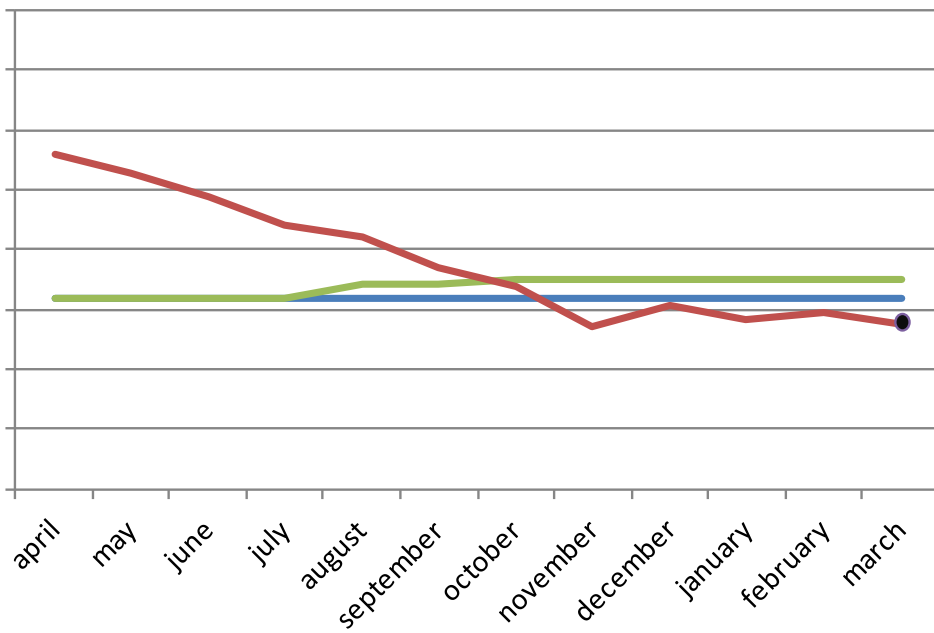


Virtuous Cycle of Spending Control

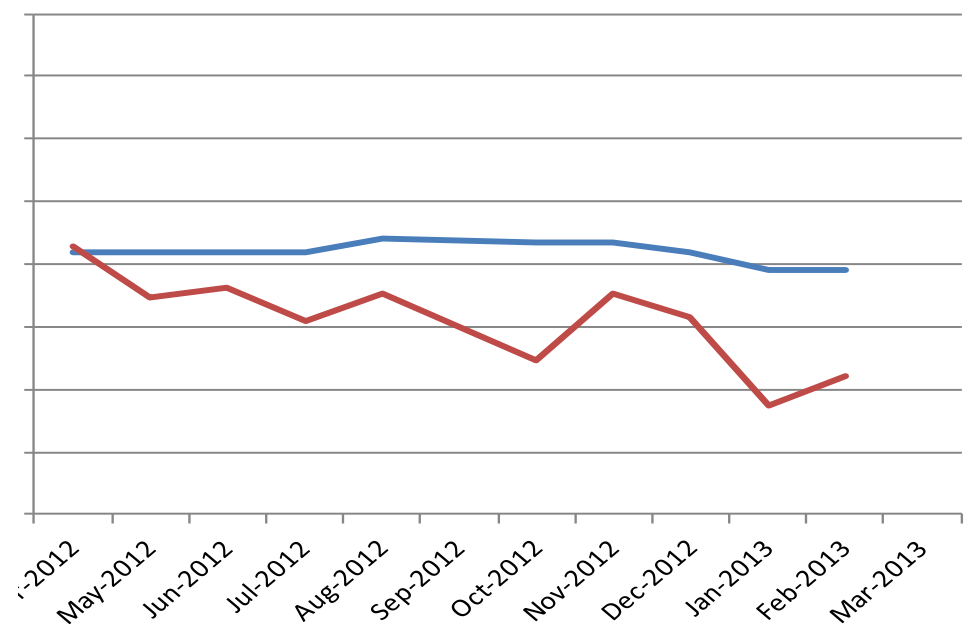
- Virtuous Cycle: this provides a good framework for thinking about how spending control with the department should work.
- Single version of the truth: All central databases should register the same position as the department's management accounts.
- Risk: the Department and HMT should have an understanding of the risks the department is facing, and any potential mitigation.
- Senior engagement: Ensure a sense of shared responsibility between senior officials in department and HMT for delivering within the department's budget.

DfE forecast record

2011/12



2012/13



— Control totals — Control total + EYF
— Forecasts ● Final Outturn



Risk Assessment and Contingency Plans

- Challenge the mitigating actions the department identifies for each risk
- Encourage the department to identify early warning indicators
- Include systemic risks
- Keep ministers informed
- Build an understanding of what drives costs in departments
 - Inflation
 - Price of people/buildings
 - Demographics
 - Technological change



Summary

- Spending control in the UK is long established, evolving over many years and will always be developing.
- Good spending control depends on good knowledge – of both data and policy.

“Knowledge has to be improved, challenged, and increased constantly, or it vanishes.” – Peter Drucker

- Questions?

