

**ANNEX D TO PES (2004) 14****ESTIMATES MEMORANDA**

Treasury Ministers have agreed with the relevant Select Committees of the House of Commons that departments should present, alongside their departmental Estimate, an 'Estimates memorandum' to the relevant departmental select committee of the House of Commons.

2. The purpose of this new memorandum is to provide the Select Committee with an explanation of the implications and consequences of the changes sought in the Estimate. This would include details of the reasons for changes and the impact of revised spending plans on budgets and departmental targets.

3. Both Treasury and Parliament are aware of the additional responsibility that this puts on departments and have sought to ensure that the requirement is sufficiently flexible to ensure that departments do not spend time producing information that is largely irrelevant to its own circumstances or the interests of its Select Committee. The guidance set out below provides a basic template for the structure and content of each Estimates memorandum but, within this framework, the detail of what is provided is a matter that individual departments should discuss and agree with their Select Committee(s).

4. For a Main Estimate, where the department is not making changes to previous plans and is submitting an Estimate in accordance with published budgetary limits, the amount of information required is likely to be much less than for a Supplementary Estimate. The content of any Estimates memorandum presented alongside a Main Estimate is for each department and Select Committee to consider and agree. It might be relevant simply to provide an overall summary, including the information set out at paragraph 8 below (but with changes relating to the end-year position for the previous year).

**Timing and authorisation**

5. Departments should provide an Estimates memorandum in respect of each Estimate presented to parliament for approval, including Revised and Supplementary Estimates as well as Main Estimates. In addition (see paragraph 11 below), departments that are not presenting an Estimate but are, with Treasury approval, reallocating resources within voted limits (i.e., between sections or subheads) should also provide a short memorandum outlining these changes to the Committee.

6. Each Estimates memorandum should be presented to the relevant Select Committee no later than the date of publication of the related Estimate. If the department provides the Select Committee with a 'final proof' version of the departmental Estimate, the memorandum should ideally be available alongside this.

7. The Estimates memorandum should be signed off by the departmental Accounting Officer, or someone authorised to do so on their behalf.

**Sections that all Estimates memoranda should contain**

8. Each Estimates memorandum should include the following sections:

- **Summary of changes sought in the Estimate:** this should identify the most significant issues arising from the Estimate. It should relate changes in the Estimate to budgetary changes and departmental policy initiatives.
- **Detailed explanation of the changes:** the new template for the Introduction to each

Supplementary Estimate asks departments to provide a detailed breakdown of how changes to provision are being financed. The Estimates memorandum should provide a more detailed analysis of these changes so that Committees can readily follow where any additional resources are coming from and what they are to be used for. This section should also provide any relevant additional explanation of changes to the cash requirement.

- **Impact on the department's Public Service Agreement (PSA):** this section should explain the impact of the proposed changes on the department's PSA targets.

### Sections that Estimates memoranda should contain where appropriate

9. The following sections would need to be included in the Estimates memorandum only where relevant. These sections would not be required if there were no changes to report or if the Select Committee had agreed that it did not require anything more than was already available in the Estimate itself.

- **Departmental Expenditure Limit (DEL):** a note to the Estimate already provides a summary of resource and capital DEL, broken down into voted and non-voted, for the current year. This section would provide any relevant additional information, such as, comparison numbers for previous or future years, or the amount of any departmental unallocated provision (DUP) on which the department may call.
- **DEL End Year Flexibility:** this would identify the stock of EYF (broken down into relevant ring-fenced blocks) and the draw down sought in the Estimate. It should briefly explain how this EYF had been accumulated and whether any was already earmarked for future use.
- **Administration cost limits:** again, a note to the Estimate provides details of any gross and net administration cost limits. This section would add any relevant detail explaining changes to administration cost limits (e.g., what any increases were for and what benefits they would bring) and how the department was managing such costs.
- **'Machinery of Government' changes or other transfers between departments:** the Introduction to the Estimate provides some details of movements in resources as a result of such changes. This section would provide additional information explaining the changes in resources, income and cash, and outlining any transitional arrangements and any issues to be resolved (e.g., assimilating central functions).
- **Provisions and Contingent liabilities:** new provisions appear as part of the resource requirement in the Estimate, while the use of existing provisions simply appears as part of the resource to cash reconciliation. This section would provide information on the stock of the department's provisions, as well as explaining the changes. Contingent liabilities are reported in a note to the Estimate. This section would add any useful information about the nature of the contingent liability and the assessment of the risk that it will materialise.

10. The department and Select Committee might agree that a different structure, or different content, is more suitable to their circumstances.

### Reporting changes not related to Estimate approval

11. Where a department is not presenting an Estimate but is, with provisional Treasury approval, reallocating resources within voted limits (i.e. between sections or subheads) this might be of interest to the Select Committee. Departments will need to discuss and agree with their Committee (s) the circumstances under which a short memorandum outlining these changes would be provided to the Committee. These arrangements would reflect the fact that Treasury approval to virement is

only given where the changes are:

- not large in relation to the section(s) concerned;
- do not arise from a major policy change; and
- are neither novel nor contentious.