



National Audit Office

DEPARTMENTAL OVERVIEW

A summary of the NAO's work on HM Treasury 2010-11

SEPTEMBER 2011

Our vision is to help the nation spend wisely.

We apply the unique perspective of public audit to help Parliament and government drive lasting improvement in public services.

The National Audit Office scrutinises public spending on behalf of Parliament. The Comptroller and Auditor General, Amyas Morse, is an Officer of the House of Commons. He is the head of the NAO, which employs some 880 staff. He and the NAO are totally independent of government. He certifies the accounts of all government departments and a wide range of other public sector bodies; and he has statutory authority to report to Parliament on the economy, efficiency and effectiveness with which departments and other bodies have used their resources. Our work led to savings and other efficiency gains worth more than £1 billion in 2010-11.



National Audit Office

Contents

Introduction 4

Part One

About HM Treasury **5**

Part Two

Financial management **11**

Part Three

Use of information **15**

Part Four

Service delivery **17**

Appendix One

The Department's related bodies
at 1 April 2011 **21**

Appendix Two

Results of the Civil Service People
Survey 2010 **22**

Appendix Three

Publications by the NAO on the
Department since 2008-09 **24**

Appendix Four

Cross-government NAO reports
of relevance to the Department
since 2008-09 **25**

Appendix Five

Other sources of information **28**

Introduction

Aim and scope of this briefing

The primary purpose of this Departmental Overview is to provide the Treasury Select Committee with a summary of the work by the National Audit Office on HM Treasury since June 2010. It is one of seventeen we have produced covering our work on each major government department. The briefing draws on the Department's Annual Report and Accounts for 2010-11 and other published sources, but its main focus is the findings of work published by the NAO, in particular, those areas where we believe the Department's performance could be improved. The content of the briefing has been shared with the Department to ensure that the evidence presented is factually accurate, but the content of the briefing is the sole responsibility of the NAO.

The Treasury has a key role in driving improved financial management across government. This guide therefore covers two complementary topics. It describes our work on the Treasury and its own expenditure, as well as describing the work we do more widely to promote sound management of the public finances – on which the Treasury provides leadership and coordination across government. We have produced a separate guide to the NAO's work on the Cabinet Office, which includes the work we do on cross-government issues on which the Cabinet Office provides leadership.

We will continue to support all select committees in 2011-12, providing briefing on each major department and supporting specific inquiries wherever our expertise and perspective can add value.

Part One

About HM Treasury

HM Treasury's responsibilities

1 HM Treasury (the Treasury) is the United Kingdom's economics and finance ministry, responsible for formulating and implementing the UK Government's financial and economic policy.

2 The Treasury's objectives over the 2011–2015 period are as follows:

- Reduce the structural deficit in a fair and responsible way.
- Secure an economy growing sustainably which is more resilient, and balanced between public and private sectors and between regions.
- Reform the regulatory framework for the financial sector to avoid future financial crises.

How HM Treasury is organised

3 There are a number of Departments, Agencies and Offices that fall under the responsibility of Treasury Ministers, each of which have different aims. The Treasury Group comprises the following bodies:

- The **Core Treasury** is responsible for formulating and implementing the UK Government's financial and economic policy.
- The **Debt Management Office** is an executive agency of the Treasury which specialises in the delivery of treasury management services and related policy advice.
- The **Asset Protection Agency** is an executive agency of the Treasury, established in December 2009 to manage the Asset Protection Scheme.
- The **Office for Budget Responsibility** was created in May 2010 to provide independent and authoritative analysis of the UK's public finances, and established as an independent Crown Non-Departmental Public Body within the Treasury Group from April 2011.

- The **Office for Tax Simplification** was created in July 2010 to provide the Government with independent advice on simplifying the UK tax system.

4 The Office of Government Commerce (OGC) and its trading fund Buying Solutions were previously part of the Treasury Group but were transferred to the Cabinet Office¹ in June 2010 as part of the newly created Efficiency and Reform Group with the Government Property Unit transferring to BIS.

5 In addition, there are several bodies falling under the Chancellor's remit which operate under distinct framework agreements and legislation that dictate the involvement of the Treasury at a corporate governance level (Appendix One).

6 The Treasury, the Bank of England and Financial Services Authority together form the tripartite authorities responsible for upholding financial stability in the UK. The Treasury is the sole shareholder of the Bank of England, and the Bank pays the Treasury an agreed sum every year in lieu of a dividend. The Financial Services Authority is funded by a compulsory levy on the financial services industry and has no financial relationship with the Treasury, but the Chancellor appoints its Board and it is accountable to Parliament via Treasury Ministers.

7 The Treasury's Ministerial Board² is chaired by the Chancellor of the Exchequer. Members include a balanced representation of Ministers, the Permanent Secretary, Directors General and non-executive members of the Board. The Departmental Board, the Executive Management Board, the Risk Committee and the Audit Committee support the Ministerial Board in the effective and efficient management of the Department, and in the management of risk, governance and internal control.

Recent developments

8 This section outlines recent developments relating to the Treasury's responsibilities and priorities under its new Business Plan.

¹ *A short guide to the NAO's work on the Cabinet Office*, www.nao.org.uk/publications/short_guides_to_departments.aspx

² *Annual Report and Accounts 2010-11*, HM Treasury, July 2011, http://www.hm-treasury.gov.uk/d/annual_report_accounts140711.pdf

Spending Review 2010

9 The Treasury led the Spending Review in 2010 in the context of the new Coalition Government's proposed deficit reduction plan. The Spending Review was based on the Government's plans for spending as set out in the 2010 Budget and proposed average cuts of 19 per cent across departmental budgets.

Office for Budget Responsibility

10 The Office for Budget Responsibility was created in May 2010 and placed on a permanent, statutory, basis following the Budget Responsibilities and National Audit Act 2011. It is the duty of the Office to examine and report on the sustainability of the Public Finances. Its key roles in achieving this are to:

- prepare the official forecasts for the economy and public finances;
- assess the extent to which progress towards the Government's fiscal targets have been met or are likely to be met;
- analyse the long-term sustainability of the public finances; and
- scrutinise the Treasury's costing of Budget measures.

11 The Comptroller and Auditor General (C&AG) is the auditor of the Office for Budget Responsibility under the Budget Responsibility and National Audit Act 2011.³ The NAO will audit its first set of accounts for 2011-12.

Office of Tax Simplification

12 The Office of Tax Simplification was created in July 2010, as a Unit within the Treasury, to provide the Government with independent advice on simplifying the UK tax system. The Chancellor has asked the Office of Tax Simplification to carry out two initial reviews, one a review of all tax reliefs, the

other a review of small business taxation. The Office completed its review of tax reliefs in March 2011, and in July it started two new reviews: employees share schemes; and pensioner taxation.⁴

Restructuring of the regulation of financial services

13 The Financial Services Bill, published in draft in June 2011, proposes a new structure for the regulatory responsibilities for the financial services sector. It also provides more direct accountability to Parliament, including the appointment of the Comptroller and Auditor General to audit the new bodies created under this Bill (the Prudential Regulatory Authority and the Financial Conduct Authority) along with the Financial Services Compensation Scheme, Financial Ombudsman Service and Money Advice Service.⁵

Independent Commission on Banking

14 On 16 June 2010, the Chancellor of the Exchequer announced the creation of the Independent Commission on Banking. The Commission was asked to consider structural and related non-structural reforms to the UK banking sector to promote financial stability and competition, and to make recommendations to the Government by the end of September 2011.⁶ The Commission published its final report on 12 September 2011, which makes a number of recommendations to reform the banking sector, to be implemented before 2019.⁷

Potential sale of Northern Rock

15 The Chancellor announced on 15 June 2011 that he was putting the taxpayer-owned Northern Rock up for sale.⁸ This could be the first disposal of the recent investments in financial institutions.

3 *Budget Responsibility and National Audit Act 2011*, www.legislation.gov.uk, 22 March 2011.

4 Office of Tax Simplification, HM Treasury website, <http://www.hm-treasury.gov.uk/ots.htm>

5 *A new approach to financial regulation: the blueprint for reform*, HM Treasury, 16 June 2011, http://www.hm-treasury.gov.uk/d/consult_finreg__new_approach_blueprint.pdf

6 Terms of Reference, http://www.hm-treasury.gov.uk/d/banking_commission_terms_of_reference.pdf

7 *Final Report: Recommendations*, Independent Commission on Banking, 12 September 2011

8 Speech at the Lord Mayor's dinner for bankers and merchants of the City of London by the Chancellor of the Exchequer, Mansion House, London, 15th June 2011, http://www.hm-treasury.gov.uk/press_58_11.htm

Equitable Life

16 As part of the Spending Review on 20 October 2010,⁹ the Government announced that in the region of £1.5 billion would be made available for an Equitable Life Payments Scheme to compensate policy holders in the Equitable Life insurance company for losses experienced due to the failure of regulation. A total of £1 billion will be paid out upfront over the first three years of the Spending Review period.

17 National Savings and Investments (NS&I) has been chosen by Treasury to process payments and services for the scheme as NS&I already provides similar banking services to its customers.¹⁰

Whole of Government Accounts

18 The Treasury is aiming to enable Parliament and the public to better understand how taxpayers' money is spent by presenting an aggregated picture of public finances through the Whole of Government Accounts (WGA).

19 The WGA is a consolidated set of financial statements for the UK public sector, and consolidates around 1,500 bodies, including central government departments, local authorities, devolved

administrations, the health service and public corporations. The Treasury published an unaudited summary report in July 2011.¹¹ The Treasury expects to publish the first fully audited WGA, covering the 2009-10 financial year, in the autumn of 2011.

Where HM Treasury spends its money

20 The financial crisis has fundamentally changed the nature of HM Treasury's activities to the extent that the majority of finances relate to the support for financial institutions. Our report on HM Treasury's 2010-11 accounts outlines the scale of support.¹² At its peak, public support for the banking sector reached £1,162 billion but this support has now fallen to £456 billion as at 31 March 2011 (see **Figure 1**).

21 At 31 March 2011, a net total of £124 billion of capital injections and loans advanced had been provided to Royal Bank of Scotland, Lloyds Banking Group, Northern Rock, Bradford and Bingley and other institutions, along with the provision of £332 billion worth of guarantees.¹³ This is reflected in the net value of the balance sheet at 31 March 2011 of £124 billion,¹⁴ a huge increase from the value of £2 billion on the same date in 2008.¹⁵

Figure 1

Support to financial institutions (£bn)

	Guarantee commitments	Cash outlay	Total support
Total support – peak ¹	1,029	133	1,162
Total support 31 March 2010	486	126	613
Total support 31 March 2011	332	124	456

NOTE

1 Shows maximum support pledged, including amounts that were not used. The peak values have been taken from previous HM Treasury Resource Accounts, supply estimates and NAO reports to Parliament. Each scheme and support facility was available at different times and the cash outlay was made in stages, so the total £1,162 billion peak support was not available at a single point in time.

Source: Comptroller and Auditor General's Report on the Treasury's 2010-11 Accounts: the financial stability interventions

⁹ *Spending Review 2010*, HM Treasury, October 2010, http://cdn.hm-treasury.gov.uk/sr2010_completereport.pdf

¹⁰ What Is The Role Of NS&I?, Equitable Life Payment Scheme website, <http://equitablelifepaymentscheme.independent.gov.uk/faq/question20.htm>

¹¹ *Whole of Government Accounts*, HM Treasury website, July 2011, http://www.hm-treasury.gov.uk/d/wga_unaudited_summary_report_2009-10.pdf

¹² *The Treasury's 2010-11 Accounts: the financial stability interventions*, http://www.nao.org.uk/publications/1012/hmt_accounts_2010-2011.aspx

¹³ *The Treasury's 2010-11 Accounts: the financial stability interventions*, http://www.nao.org.uk/publications/1012/hmt_accounts_2010-2011.aspx

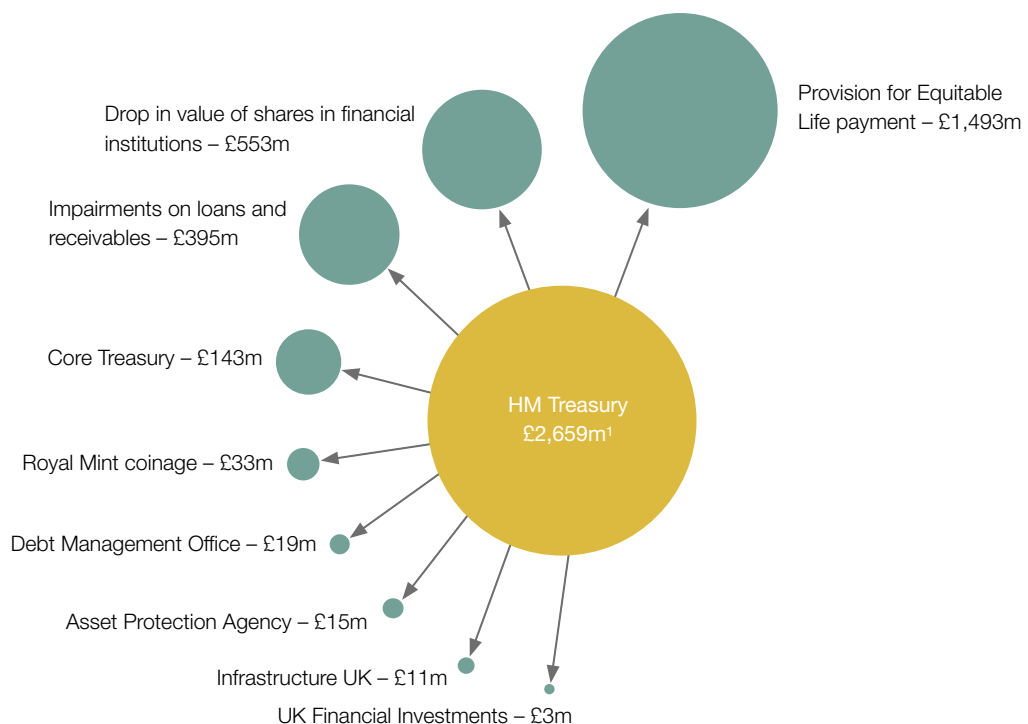
¹⁴ *Annual Report and Accounts 2010-11*, HM Treasury, July 2011, http://www.hm-treasury.gov.uk/d/annual_report_accounts140711.pdf

¹⁵ *Annual Report and Accounts 2007-08*, HM Treasury, July 2008, <http://www.official-documents.gov.uk/document/cm74/7408/7408.pdf>

22 The cost of the Treasury's economics and finance ministry functions are dwarfed by the resources invested in the banking sector, although the Treasury is recovering fees and charges from the banks to offset the costs of providing that support. In 2010-11, Treasury recorded £2.4 billion from financial institutions¹⁶ which made up 92 per cent of its total operating income of £2.6 billion.¹⁷ Overall, the Treasury recorded a net resource income for the financial year, and for 2011-12 Treasury has forecast that they will be a net cash contributor to the Exchequer due to revenue collected from banks.

23 In 2010-11, the accounting value of the Treasury's non-equity support schemes (which include the Bank of England Asset Purchase Facility Fund¹⁸ and the Asset Protection Scheme)¹⁹ increased by £12.4 billion resulting in a net operating income position of £8.5 billion in the financial statements. Excluding these movements,²⁰ the Treasury's gross resource expenditure for the year was £2.6 billion (see **Figure 2**). Over half of this amount was due to the provision made for the Equitable Life Payments Scheme which is explained above in paragraph 16. The cost of administering Treasury's economics and finance ministry functions was £148 million, or 6 per cent of adjusted expenditure.

Figure 2
HM Treasury gross resource expenditure¹ 2010-11



NOTE

- 1 The expenditure presented in HM Treasury's (HMT) Annual Report and Accounts includes fair value movements of £12,416 million (see note on Bank of England Asset Purchase Facility and Asset Protection Scheme above) which are not included in this analysis. These movements are adjustments for the fair value of financial instruments held by HMT and result in a credit against HMT expenditure, meaning net expenditure for the year in accounting terms is actually a negative resource outturn of £9,757 million.

Source: *Annual Report and Accounts, HM Treasury, July 2011*

16 Made up of fees for financial guarantees, income from loans and fees for contingent capital. Data from *Annual Report and Accounts 2010-11*, HM Treasury, July 2011, http://www.hm-treasury.gov.uk/d/annual_report_accounts140711.pdf

17 *Annual Report and Accounts 2010-11*, HM Treasury, July 2011, http://www.hm-treasury.gov.uk/d/annual_report_accounts140711.pdf

18 The Bank of England's Asset Purchase Facility Fund (BEAPFF) is also known as Quantitative Easing. This is a scheme under which the Bank purchased £200 billion of assets, mainly Government gilts, which they plan to eventually sell back to the market. The Treasury has indemnified the Bank against losses on this scheme, and will receive any profit or loss when the assets are sold.

19 *HM Treasury: The Asset Protection Scheme*, http://www.nao.org.uk/publications/1011/the_asset_protection_scheme.aspx

20 The value of the BEAPFF and APS derivatives are volatile and are valued using market modelling techniques. They are sensitive to market movements. They have been removed from the analysis in Figure 2 to allow consistent analysis across government.

24 As well as fees from financial institutions, the Treasury also has income from insurance premiums paid by the Pool Re and Pool Re (Nuclear) mutual reinsurance companies. Their role is to provide reinsurance cover to the insurance industry for damage to industrial and commercial property or nuclear facilities following a terrorist attack. The Treasury carries the contingent liability for the risk that any losses incurred exceed their available resources. Pool Re's total investment fund value at 31 December 2010 was £4.1 billion.

Other transactions of interest

25 On 22 December 2010, the Government agreed to provide a £3.2 billion bilateral loan to Ireland, as part of an international package of measures to provide financial assistance to Ireland.²¹ Payments will be made in tranches and start from September 2011. Treasury expect to recover the full value of the loan.

26 In 2008, the Treasury intervened to ensure that depositors were compensated in full for their deposits after the collapse of Landsbanki (Icesave), which amounted to £4.5 billion, £2.3 billion of which is the liability for the Icelandic Depositor and Investor Guarantee Fund. A loan agreement of £2.3 billion was agreed with the Icelandic Authorities and approved by the Icelandic Parliament. This agreement was subsequently rejected in a referendum of the Icelandic people on 9 April 2011. The matter is now likely to be referred by the European Free Trade Association (EFTA) Surveillance Authority to the EFTA Court. The Treasury considers the loan and interest to be fully recoverable.²²

Capability and leadership

27 In 2006, the Cabinet Office launched Capability Reviews to assess departments' leadership, strategy and delivery – to improve departmental readiness for future challenges and to enable departments to act on long-term key development areas. Since publication of the last round of external assessments, between April 2008 and December 2009, departments are now required to conduct and publish self-assessments and resultant action plans against standard criteria set out

in the Cabinet Office model of capability, which was updated in July 2009.²³ Departments must rate their capability against ten criteria under three themes:

- **Leadership criteria** – 'set direction'; 'ignite passion, pace and drive'; and 'develop people'.
- **Strategy criteria** – 'set strategy and focus on outcomes'; 'base choices on evidence and customer insight'; and 'collaborate and build common purpose'.
- **Delivery criteria** – 'innovate and improve delivery'; 'plan, resource and prioritise'; 'develop clear roles, responsibilities and delivery models'; and 'manage performance and value for money'.

28 All self-assessments are due for completion by March 2012, with the first self-assessment nearing completion. In addition to self-assessment, departments also have the option of asking the Cabinet Office to undertake a full external Capability Review assessment.

29 The Civil Service People Survey aims to provide consistent and robust metrics to help government understand how it can improve levels of engagement across the Civil Service. As part of this survey, civil servants across all participating organisations are asked a range of questions across nine themes which seek to measure their experiences at work. We present here the results of the second annual people survey for HM Treasury – undertaken between mid-September 2010 and the end of October 2010 – covering the themes of leadership and managing change, and understanding of organisational objectives and purpose (**Figure 3** overleaf). The results of 17 major departments are in Appendix Two.

30 As part of the annual survey, each department receives an engagement index, assessing the level of staff engagement determined by: the extent to which staff speak positively of the organisation, are emotionally attached and committed to it, and are motivated to do the best for the organisation. In 2010, HM Treasury achieved an engagement index of 65 per cent, three percentage points lower than in 2009 but nine percentage points higher than the 2010 Civil Service average.

²¹ *Loans to Ireland Act 2010-11*, <http://services.parliament.uk/bills/2010-11/loanstoireland.html>

²² *Annual Report and Accounts 2010-11*, HM Treasury, July 2011, http://www.hm-treasury.gov.uk/d/annual_report_accounts140711.pdf

²³ More information about Capability Reviews is available at: www.civilservice.gov.uk/about/improving/capability

Figure 3
2010 Civil Service People Survey: HM Treasury

Theme	Theme score (% positive) ¹	Difference from 2009 survey	Difference from Civil Service 2010 ²
Leadership and managing change			
I feel that the Department as a whole is managed well	56	-7	+15
Senior Civil Servants in the Department are sufficiently visible	68	+4	+23
I believe the actions of Senior Civil Servants are consistent with the Department's values	52	-2	+13
I believe the Departmental Board has a clear vision for the future of the Department	35	-	0
Overall, I have confidence in the decisions made by the Department's Senior Civil Servants	51	-7	+16
I feel that change is managed well in the Department	35	-2	+7
When changes are made in the Department they are usually for the better	32	-8	+9
The Department keeps me informed about matters that affect me	64	-2	+10
I have the opportunity to contribute my views before decisions are made that affect me	54	+11	+22
I think it is safe to challenge the way things are done in the Department	57	+2	+17
Organisational objectives and purpose			
I have a clear understanding of the Department's purpose	85	-3	0
I have a clear understanding of the Department's objectives	79	-5	+1
I understand how my work contributes to the Department's objectives	77	-4	-3

NOTES

- 1 Percentage positive measures the proportion of respondents who selected either 'agree' or 'strongly agree' for a question.
- 2 The 2010 benchmark is the median per cent positive across all organisations that participated in the 2010 Civil Service People Survey. The difference between the Department and the Civil Service (Appendix Two) may differ due to rounding.

Source: HM Treasury People Survey Results, Autumn 2010, http://www.hm-treasury.gov.uk/d/staffsurvey_2010.pdf

Part Two

Financial management

31 The ability of departments to control costs and drive out waste requires professional financial management and reporting. In particular, departments need to be better at linking costs to services and benchmarking performance to determine whether costs are justified and value for money can be improved. Organisations also need to move their risk management arrangements from a process-led approach to one which supports the efficient and effective delivery of services. Organisations are required to publish Statements on Internal Control²⁴ with their Annual Financial Statements which describe their arrangements for risk management, internal control and governance.

32 One of HM Treasury's responsibilities is to drive increased financial professionalism and to embed strong financial management and governance across government. They are also responsible for implementing the cross-government deficit reduction plan and coordinating the 2010 Spending Review over the five years of its duration.

Financial outturn for 2010-11 and comparison with budget

33 The Department reported a negative total net resource outturn of £9.8 billion in 2010-11. This was primarily due to an increase of £12.4 billion in the accounting value of the Treasury's non-equity support scheme as outlined in paragraph 23, resulting in a net income position rather than net expenditure. This meant that HM Treasury underspent by £14.7 billion against an Estimate of £5.0 billion.

34 Additionally, the Estimate included £3.2 billion for a loan to the Republic of Ireland as outlined in paragraph 25. The Treasury anticipates that it will recover the full loan principal plus interest payments and so the loan does not represent an onerous commitment.

35 The Estimate did not seek to forecast future movements of share prices of any of the Treasury's investments in financial institutions due to the many uncertainties in the financial markets.

Progress on cost reduction across government

36 Departments are under increasing pressure to reduce costs. The scale of cost reduction required means that they are having to look beyond immediate short-term savings, and think more radically about how to take cost out of the business and how to sustain this in the longer term. Our **Short Guide to Structured Cost Reduction**,²⁵ published in June 2010, sets out the high level principles that we would expect departments to follow in taking a structured approach to cost reduction. It covers the three stages of cost reduction – tactical efficiency savings, strategic operational realignment and sustainable cost reduction – and outlines nine principles underlying structured cost reduction, including having a data-driven approach to understanding, comparing and interrogating costs.

37 We have published detailed information and guidance on a number of the principles underpinning effective structured cost reductions, including **Managing risks in government**,²⁶ **Progress in improving financial management in government**²⁷ and **Taking the measure of government performance** Appendix Four).²⁸

38 As part of its objective to improve the quality and value for money of public services, the Treasury has targeted improvements through a number of programmes, including the Value for Money Savings Programme which ran from 2008-09 to 2010-11, and was a requirement of the 2007 Comprehensive Spending Review (CSR07). Our report on the progress being made²⁹ found that departments had reported few savings from major or long-term changes to their business. We recommended that HM Treasury encourage long-term thinking by considering an ongoing programme for value for money, rather than just for the three years of a spending period, and set milestones for improvements in systems for delivering value for money.

²⁴ From 2011-12, Departments will produce a Governance Statement rather than a Statement on Internal Control.

²⁵ www.nao.org.uk/publications/1011/structured_cost_reduction.aspx

²⁶ National Audit Office, *Managing risks in government*, June 2011, www.nao.org.uk/publications/1012/managing_risks_in_government.aspx

²⁷ National Audit Office, *Progress in improving financial management in government*, HC 487, 2010-11, http://www.nao.org.uk/publications/1011/financial_management_in_govt.aspx

²⁸ National Audit Office, *Taking the measure of government performance*, HC 284, 2010-11, http://www.nao.org.uk/publications/1011/government_performance.aspx

²⁹ *Progress with VFM savings and lessons for cost reduction programmes*, http://www.nao.org.uk/publications/1011/vfm_savings_compendium.aspx

39 The Spending Review in 2010 saw large cuts being imposed on government departments during the period to 2014-15. While the Treasury agreed budget allocations with individual departments, it was the Cabinet Office which led on longer-term efficiencies with the set-up of the Efficiency and Reform Group in May 2010. The Group is responsible for various new initiatives which are designed to increase efficiency, make savings and improve value for money. Our report on the Efficiency and Reform Group³⁰ outlined the challenges it faces but does not conclude on its effectiveness to date. Further details can be seen in our **Departmental Overview of the Cabinet Office**.³¹

Progress on cost reduction within HM Treasury

40 Under the terms of the Spending Review 2010, the Treasury itself is required to make 33 per cent of administrative cost savings in real terms over the four years of the review. The Treasury plans to reduce total resource expenditure by 17 per cent and capital spend by 88 per cent by 2014-15 (**Figure 4**).

41 The Treasury's annual report states that it is "proactively managing its staff retention and exit to ensure a proper balance of skills, knowledge and corporate memory." As at 31 March 2011, the Treasury Group had 1,377 Full Time Equivalent (FTE)

staff compared to 1,477 in 2009-10. Compared with earlier years there has been a reduction in the number of new starters and HM Treasury has managed this reduction in numbers through natural wastage.³²

NAO reports on financial management and efficiency

42 This section summarises our recent work on financial management and efficiency relevant to the Treasury. We have covered Treasury's role in promoting sound financial management across government as well as their own internal efficiencies.

Financial management across government

43 In 2008, we published a report³³ making recommendations on how HM Treasury could improve the management of financial resources across government, which included measures to improve staff skills, appoint qualified Finance Directors at Board Level, and improve the quality of performance and cost information provided to Board members.

44 Our follow-up report published in 2011³⁴ found that some progress had been made against these recommendations, including improved staff finance skills and the presence of a qualified Finance Director in each government department.

Figure 4

Planned Departmental spending 2011-12 to 2014-15, HM Treasury Group (£bn)

	2010-11 (actual)	2011-12	2012-13	2013-14	2014-15
Resource	182	197	189	170	151
Capital	43	52	26	14	5

Source: HM Treasury Annual Report and Accounts 2010-11

30 *The Efficiency and Reform Group's role in improving public sector value for money*, http://www.nao.org.uk/publications/1011/efficiency_and_reform_group.aspx

31 *Departmental Overview of the Cabinet Office*, <http://www.nao.org.uk/Dept-Overview-Cabinet-Office-2011>

32 *Annual Report and Accounts 2010-11*, HM Treasury, July 2011, http://www.hm-treasury.gov.uk/d/annual_report_accounts140711.pdf

33 *Managing financial resources to deliver better public services*, http://www.nao.org.uk/publications/0708/managing_financial_resources_t.aspx

34 *Progress in improving financial management in government*, http://www.nao.org.uk/publications/1011/financial_management_in_govt.aspx

45 The Treasury has also published **Managing taxpayers' money wisely: commitment to action**,³⁵ in which it set out actions designed to drive progress in financial management. It has also stated that it will require all departments to institute financial management improvement plans and report on these regularly.

46 However, we found that the overriding incentive for departments to meet annual expenditure limits set by the Treasury can lead to poor financial management decisions that reduce value for money. We recommended that the Treasury should encourage flexible resource planning.

47 We also found that the importance and principles of good financial management are not embedded in the culture of the civil service, and hence there are inadequate incentives for managers and staff. We recommended that the Cabinet Office and Treasury should review policy on recruitment, promotion, training, performance management and reward systems, to make financial management responsibilities central to all aspects of civil service thinking.

HM Treasury's guidance on option appraisals

48 The Treasury has published guidance on Impact Assessments and producing business cases for government departments. Our review of option appraisals³⁶ found that departments also provide internal guidance, and the links between the different guidance and the related processes they cover are not always clear to departmental staff, therefore risking duplication and poor compliance.

49 A survey of staff found that they find Treasury guidance on business cases of limited use, while the Green Book giving guidance on appraisals is very useful. We recommended that the Treasury integrate the oversight and management of the economic element of business case and Impact Assessment processes to support consistent decision-making and a standardised approach.

The use of consultants within HM Treasury

50 Our report on the use of consultants across government³⁷ showed a large percentage increase in gross spending on consultants by HM Treasury between 2007-08 and 2009-10. Its response to the banking crisis is largely responsible for its increase in spending on consultants. HM Treasury recovered a large proportion of its consultancy costs by recharging financial institutions which benefited from the governments financial stability interventions. For example, in 2009 10, HM Treasury recovered over 90 per cent of the £62 million gross spending on consultants.

51 In 2010-11, the Treasury reduced its gross spend to £15 million and recovered up to 73 per cent from financial institutions. This represents an underspend on consultancy costs of £2.8 million in the year, which the Treasury explains as due to tighter spending controls being implemented in the year, as well as a reduced need for consultancy now that the majority of the financial stability schemes are at a mature stage.

NAO financial audit findings

52 HM Treasury's accounts were certified by the Comptroller and Auditor General on 13 July 2011 with an unqualified audit opinion. We produced a report³⁸ that was published alongside the accounts which sets out the different elements and scale of the outstanding support to financial institutions, as shown in the Treasury's accounts.

35 *Managing taxpayers' money wisely: commitment to action*, HM Treasury, January 2011, http://www.hm-treasury.gov.uk/d/managing_taxpayers_money_wisely.pdf

36 *Option appraisal: making informed decisions in Government*, http://www.nao.org.uk/publications/1012/option_appraisal.aspx

37 *Central government's use of consultants and interims*, http://www.nao.org.uk/publications/1011/use_of_consultants.aspx

38 *The Treasury's 2010-11 Accounts: the financial stability interventions*, http://www.nao.org.uk/publications/1012/hmt_accounts_2010-2011.aspx

53 The 2010-11 accounts of all the Treasury's related bodies were certified by the Comptroller and Auditor General before Parliament's summer recess and he did not qualify any of his audit opinions.

Issues raised in Statements on Internal Control

54 We work with HM Treasury and its sponsored bodies to improve their published Statements on Internal Control. We aim to ensure that the processes by which Statements are produced are robust and that the Statements comply with Treasury guidance. In 2010, we produced **A Good Practice Guide to the Statement of Internal Control**.³⁹

55 The Treasury has outlined its key risks in its Statement on Internal Control, found in its published annual report and accounts.⁴⁰ These risks fall under two headings – the general risk environment, and the internal risks specific to HM Treasury's operations. The Statement also outlines the risk and control framework in place to mitigate these risks.

56 These risks include:

- Global economic uncertainty.
- Domestic challenges – including the Spending and Growth Reviews.
- Reductions to the Treasury's own administration cost budget – 33 per cent over the 2011-15 period.
- Financial exposure to risks carried on the Treasury's balance sheet – including guarantees provided to financial service institutions which we outline in Section One of this report.
- Insider trading – with the expansion of the Treasury's interventions in the financial services sector, staff have increasing access to privileged financial information.

39 *A Good Practice Guide to the Statement on Internal Control*, <http://www.nao.org.uk/idoc.ashx?docId=39292109-C135-400C-B774-F288B689552B&version=-1>

40 *Annual Report and Accounts 2010-11*, HM Treasury, July 2011, http://www.hm-treasury.gov.uk/d/annual_report_accounts140711.pdf

Part Three

Use of information

57 Government needs robust, timely information on context, activities, costs, progress against its objectives and the cost-effectiveness of its activities. It also needs to be able to interpret that information, by reference to trends, expectations, benchmarks and other comparisons, to identify problems and opportunities. Departments need reliable information on which to design and deliver services and monitor quality, be confident about their productivity and drive continuous improvement.

58 The Coalition Government has pledged, under the transparency agenda, to make more government information available to the public to help improve accountability and deliver economic benefits. In June 2010, the system of Public Service Agreements ended and, instead, departments are to be held accountable to the public based on the data they use to manage themselves.

Reporting performance: Annual Reports and Business Plans

59 Each government department now reports its performance against the priorities and Structural Reform Plan actions as set out in its Business Plan. The Plan's transparency section includes performance indicators selected by the department to reflect its key priorities and demonstrate the cost and effectiveness of the public services it is responsible for. These indicators fall broadly into two categories:

- input indicators: a subset of the data gathered by the department on the resources used in delivering services; and
- impact indicators: designed to help the public judge whether departmental policies are having the desired effect.

60 The Plan's structural reform section provides a detailed list of actions and milestones designed to show the steps the department is taking to implement the Government's reform agenda.

61 Departmental progress against indicators is published regularly in a Quarterly Data Summary, most recently in July 2011. The Quarterly Data Summary

is designed as a standardised tool for reporting selected performance metrics for each government department, in a way that facilitates comparison across departments where this is appropriate. Data published in the summary can be compared to the previous period, which will also be the baseline for this data set. The information in the summary has not been audited and the Cabinet Office has said that the accuracy of the data for all departments needs to improve.⁴¹ However, the Cabinet Office expects that over time, with improvements in data quality and timeliness, the public will be able to judge the performance of each department in a meaningful and understandable manner. An annual version of this information is expected to be formally laid in Parliament in departments' Annual Reports and Accounts from 2012 onwards.

62 It is too early to comment on departmental performance reported against the new input and import indicators. Through its review of departmental business planning, however, the House of Commons Committee of Public Accounts⁴² identified some essential elements to help ensure effective accountability and value for money, including the need for:

- monitoring arrangements which align costs and results for all significant areas of departmental activity and spending; and
- clear definitions of expected outcomes and standards, rigorous timelines and appropriate strategies to intervene when expectations are not met.

Performance reported by HM Treasury

63 HM Treasury's Business Plan⁴³ outlines its vision and priorities for 2011–15, as well as the key commitments involved in delivering this vision. The Plan sets out the indicators which the Department believes are most useful to the public in understanding the costs and outcomes of the Treasury's work. Input indicators include the costs of administering each business area, such as 'public expenditure planning and control'. Impact indicators include the current deficit and public sector net debt. A number of these impact indicators are not under the Treasury's direct control and reflect the economic environment and market conditions.

⁴¹ <http://www.cabinetoffice.gov.uk/resource-library/business-plan-quarterly-data-summary>

⁴² *Departmental Business Planning* (Thirty-seventh Report of Session 2010-12), House of Commons Committee of Public Accounts, May 2011, <http://www.publications.parliament.uk/pa/cm201012/cmselect/cmpubacc/650/650.pdf>

⁴³ *Business Plan 2011–15*, HM Treasury, July 2011, http://www.hm-treasury.gov.uk/about_business_plan.htm

64 In the most recently published data on its performance against its Structural Reform Plan Actions,⁴⁴ the Treasury reported that two major actions were overdue, including:

- While progress has been made in launching an independent commission to undertake a review of the public service pension provision,⁴⁵ a detailed implementation plan for the increase in employee contributions announced in the Spending Review is still to be confirmed as a result of further negotiations with the Trades Union Congress. We conducted a review of recent changes to public service pensions and recommended that the Treasury agree and communicate a clear view of the purpose of public service pensions, including their role in recruitment, retention and mobility.⁴⁶
- HM Treasury's proposal to deliver a national financial health check and a free advice service through the Money Advice Service has not yet been implemented.⁴⁷

Testing the assumptions underlying the Budget

65 Following the formation of the new Coalition Government in May 2010, the Chancellor of the Exchequer announced his intention to change the way the Budget assumptions and forecasts are arrived at. The Chancellor launched the interim Office for Budget Responsibility on 17 May 2010 to produce independent assessments of the economy and public finances to build trust in the official forecasts.

66 We undertook examinations to consider whether key economic and fiscal assumptions underpinning the interim Office for Budget Responsibility forecasts were independently arrived at for the emergency budget in May 2010⁴⁸ and later in November 2010⁴⁹ as part of the Office's Autumn Economic and Fiscal Outlook. This differed from requests made by previous

Chancellors to the Comptroller and Auditor General to examine the reasonableness and caution of specific assumptions underpinning projections of the public finances. The remit of this work did not include any review of the forecast itself or of specific underpinning assumptions. Our examination found that these assumptions had been independently arrived at.

Use of information by HM Treasury

67 In our 2011 report on performance measurement frameworks and board reporting across government,⁵⁰ we found that, in general, the use of performance information by Boards could be improved. We also found that financial and performance information is generally not integrated in Board reports.

68 We provided tailored feedback to the Treasury on the maturity of its performance management framework. The report highlighted areas of best practice, for example one arm's-length body produced information on objectives, targets, finance and risks both for the organisation overall and for each operational directorate.

69 Our value for money work on the Treasury has identified opportunities to enhance the analysis the Treasury undertakes to support some key decisions. Our finding was echoed by the Committee of Public Accounts (PAC), which identified gaps in the Treasury's analysis of how much the Royal Bank of Scotland should pay for the scheme and recommended it should do more work to underpin its decisions. Treasury agreed that, in future, any scheme involving a significant taxpayer exposure should be subject to comprehensive analysis. There are also two cases where PAC reports have questioned the role of the Treasury in challenging departments' spending decisions: the Ministry of Defence; and Ofcom (Office of Communications).

44 *Business Plan Quarterly Data Summary*, HM Treasury, July 2011, http://www.hm-treasury.gov.uk/about_business_plan.htm

45 *Independent Public Service Pensions Commission: Final Report*, HM Treasury, 10 March 2011, http://cdn.hm-treasury.gov.uk/hutton_final_100311.pdf

46 *The impact of the 2007-08 changes to public service pensions*, http://www.nao.org.uk/publications/1011/public_service_pensions.aspx

47 *Structural Reform Plan progress report*, HM Treasury, May 2011, http://www.hm-treasury.gov.uk/about_business_plan.htm

48 *Examination of the forecasts prepared by the Office for Budget Responsibility for the emergency budget 2010*, http://www.nao.org.uk/publications/1011/obr_budget_forecasts.aspx

49 *Examination of the forecasts prepared by the Office for Budget Responsibility for 29 November 2010*, http://www.nao.org.uk/publications/1011/obr_forecasts_november.aspx

50 *Performance Frameworks and Board Reporting II*, http://www.nao.org.uk/publications/1012/performance_frameworks_and_boa.aspx

Part Four

Service delivery

70 The Treasury is not a delivery department in the traditional sense of providing services direct to the public. However, it does have overall responsibility for financial stability and a leadership role over other departments. As with more traditional models, these require a well-thought-out delivery model, sound programme and project management, strong commercial skills, mature process management and a real understanding of customer needs. Many of our reports to Parliament cover these issues.

71 Up until June 2010, the Office of Government Commerce (OGC) was part of the Treasury Group, with responsibility for driving value for money improvements in public procurement and estates management in central government. The OGC was transferred to the Cabinet Office along with these responsibilities following the General Election in 2010. Our **Short Guide to the Cabinet Office** covers the activities of OGC and its trading fund, Buying Solutions, which has recently been rebranded as the Government Procurement Service.

Financial stability interventions

72 Since 2007, the Treasury has made a series of interventions to support the financial stability of UK banks. These interventions had the following broad aims:

- to protect depositors;
- to maintain liquidity and capital for UK banks through the period of market closures; and
- to encourage banks to lend to creditworthy borrowers.

73 Financial stability has a high profile with many stakeholders and interested commentators. The NAO has a unique position as independent external auditor to Government with access rights which give us access to data unavailable to other sources. This allows us to provide independent opinion on the value for money of the interventions, risks to the taxpayer and the Treasury's capacity to manage them and to help ensure transparency over the scale and cost of the support provided.

The scale of support to UK banks

74 We have published a series of reports to aid transparency with respect to the support provided by the Government to the financial services sector.

75 Our report⁵¹ on the Treasury's 2010-11 accounts draws together the components of the £456 billion outstanding support given to financial institutions, as accounted for in the Treasury's financial statements. This includes loans, equity purchases and guarantees. Loans and equity injections involved the transfer of cash from the government to the relevant financial institutions. They affected the Public Finances. Guarantees are a contingent liability and have not so far involved the transfer of cash. The total exposure, including guarantees, is equivalent to 31 per cent of Gross Domestic Product as at March 2011.

76 In return, HM Treasury has to date received almost £12 billion in fees and interest. We estimate that these fees offset the Government's cost of borrowing to date, although the Government is likely to hold a net overall cost from the interventions until the shares are sold. The eventual direct cost or return to the taxpayer from the financial interventions is highly sensitive to the eventual proceeds from the disposal of the Treasury's shareholdings in RBS and Lloyds Banking Group.

77 We published an earlier report on the support schemes⁵² which concluded that the most likely scenario will be that there is no overall loss on the main guarantees provided by HM Treasury, namely the Asset Protection, Special Liquidity and Credit Guarantee Schemes, although it will be paying for the loans and capital it has provided to UK banks for years to come.

51 *The Treasury's 2010-11 Accounts: the financial stability interventions*, http://www.nao.org.uk/publications/1012/hmt_accounts_2010-2011.aspx

52 *Maintaining the financial stability of UK banks: update on the support schemes*, http://www.nao.org.uk/publications/1011/support_for_banks.aspx

78 However, the fees charged to the banks did not capture the full value to the banks of using the Credit Guarantee Scheme. We calculated the difference to be in excess of £1 billion, and the Public Accounts Committee said they considered these to be subsidies that enabled private gains to be made at the expense of public risk, as the fees did not fully capture the benefit of allowing the banks to access funding when it would not otherwise have been available and allowing the banks to borrow money more cheaply than they otherwise would have done.⁵³ They recommended that the Treasury should ensure that banks do not pay bonuses or dividends at the expense of repaying the subsidy, and that fees for the Credit Guarantee Scheme should be reassessed and revised upwards where necessary.

79 We recommended that the Treasury perform an exercise to capture knowledge and lessons learnt from the financial interventions. At a Treasury Select Committee hearing on Accountability of the Bank of England,⁵⁴ the Treasury committed to publishing the results of this exercise.

Specific aspects of the support

80 We have also provided a series of more focused and evaluative reports on the value for money of individual parts of the support to UK banks.

81 Our report on the Treasury's stewardship of Northern Rock (Asset Management) and Bradford and Bingley⁵⁵ looked at the buy-back of subordinated debt⁵⁶ which saw the mortgage providers pay £821 million in 2010 to eliminate debt with a book value of £2.4 billion as at December 2010. We believe that the buy-back exercise represented value for money as it avoided the need to pay future interest that was excessive in relation to the risk borne by the subordinated debt.

82 We recommended that HM Treasury consider revising the interest rates on the loans and working capital facilities provided to the mortgage providers in order to extract value for the taxpayer.

83 We calculated that the interest rates that were being charged to the mortgage providers were between £1.83 billion and £6.7 billion below the cost of the borrowing used to fund the loans. The interest rate on Bradford & Bingley's working capital facility has since been increased by 3.5 per cent.

84 We also reported on the Asset Protection Scheme,⁵⁷ which we concluded had contributed to the Treasury's aim of maintaining financial stability. The Treasury did well to maintain flexibility in developing the Scheme as more information became available. However, the Scheme has been only partially successful in encouraging lending to creditworthy borrowers.

85 We examined how the Treasury had set the parameters of the scheme, including the first loss, which is borne by the participating bank, and the minimum fees which the bank would need to pay before it could exit the scheme. Our examination concluded that the principal elements of the Scheme were based on a robust assessment of the incentives that impact on value for money, and on as complete information as was available at the time on the underlying assets. Value for money in the longer term will depend heavily on the incentives built into the pricing structure to encourage good asset management.

86 Our report on the Nationalisation of Northern Rock⁵⁸ found that the initial guarantees provided by the Treasury protected customers and prevented wider disruption to financial stability, but the action needed to resolve longer-term difficulties stretched the capacity of the Treasury.

53 *32nd Report – Maintaining financial stability of UK banks: update on the support schemes*, HC 793, Public Accounts Committee, 20 April 2011, <http://www.publications.parliament.uk/pa/cm201011/cmselect/cmpublicacc/793/793.pdf>

54 *Accountability of the Bank of England*, to be published as HC 874-vi, <http://www.publications.parliament.uk/pa/cm201012/cmselect/cmctreasy/uc874-vi/uc87401.htm>

55 *Stewardship of the wholly owned banks: buy-back of subordinated debt*, http://www.nao.org.uk/publications/1011/stewardship_of_wholly_owned_ba.aspx

56 Subordinated debt is debt that ranks after other loans in terms of pay-out in the event of liquidation.

57 *HM Treasury: the asset protection scheme*, http://www.nao.org.uk/publications/1011/the_asset_protection_scheme.aspx

58 *HM Treasury: the nationalisation of Northern Rock*, http://www.nao.org.uk/publications/0809/northern_rock.aspx

Private Finance Initiative (PFI)

87 The Treasury also has an important role in advising on the application of private finance across government. Since the private finance initiative began in 1992, we have published over 90 value for money reports on the subject. We have also produced a summary of key findings in our 2009 paper to the Lords Economic Affairs Committee.⁵⁹ In April 2011, we produced a report **Lessons from PFI and other projects**,⁶⁰ which drew on findings from our review of five recent PFI projects.

88 We found that the use of private finance has brought useful disciplines, for example, a standard contract model and a framework of support which are applicable to other forms of procurement. However, there is no clear data which would allow the Treasury to conclude whether PFI has led to demonstrably better or worse value for money than other forms of procurement. There is also a lack of data on the returns being made by investors in PFI projects for the risks they are bearing.

89 Our report concluded that government needs to act as a more intelligent customer when negotiating and managing major projects. We identified four areas where lessons could be learned:

- Government often does not collect sufficient accurate data to conclude whether the use of PFI has led to demonstrably better or worse value for money than other forms of procurement. Although most PFI projects are delivering the services expected, there is a lack of systematic ongoing value for money evaluation by departments of operational PFI projects.
- The public sector does not have commercial skills to match those of the private sector, and needs to do more to ensure knowledge is retained when advisers and key individuals move to other work.

- There is a need to more effectively challenge the scope and method of procurement of projects. The need to challenge the use of private finance is especially important given that the cost of debt finance has increased by 20-33 per cent since the financial crisis. Although the adoption of IFRS has brought many PFI contracts onto departments' balance sheets, privately financed projects are often still off balance-sheet for the purpose of national accounting rules, which may continue to act as an incentive to use PFI.
- Despite a range of valuable project assurance and governance processes, many specifically related to PFI, it has been rare for large projects to be halted or significantly changed where value for money has been in doubt. We welcome the Government's actions to strengthen project assurance through the recent formation of the Major Projects Authority and revised Treasury approval processes for all major projects as part of a wider programme of strengthened spending control.

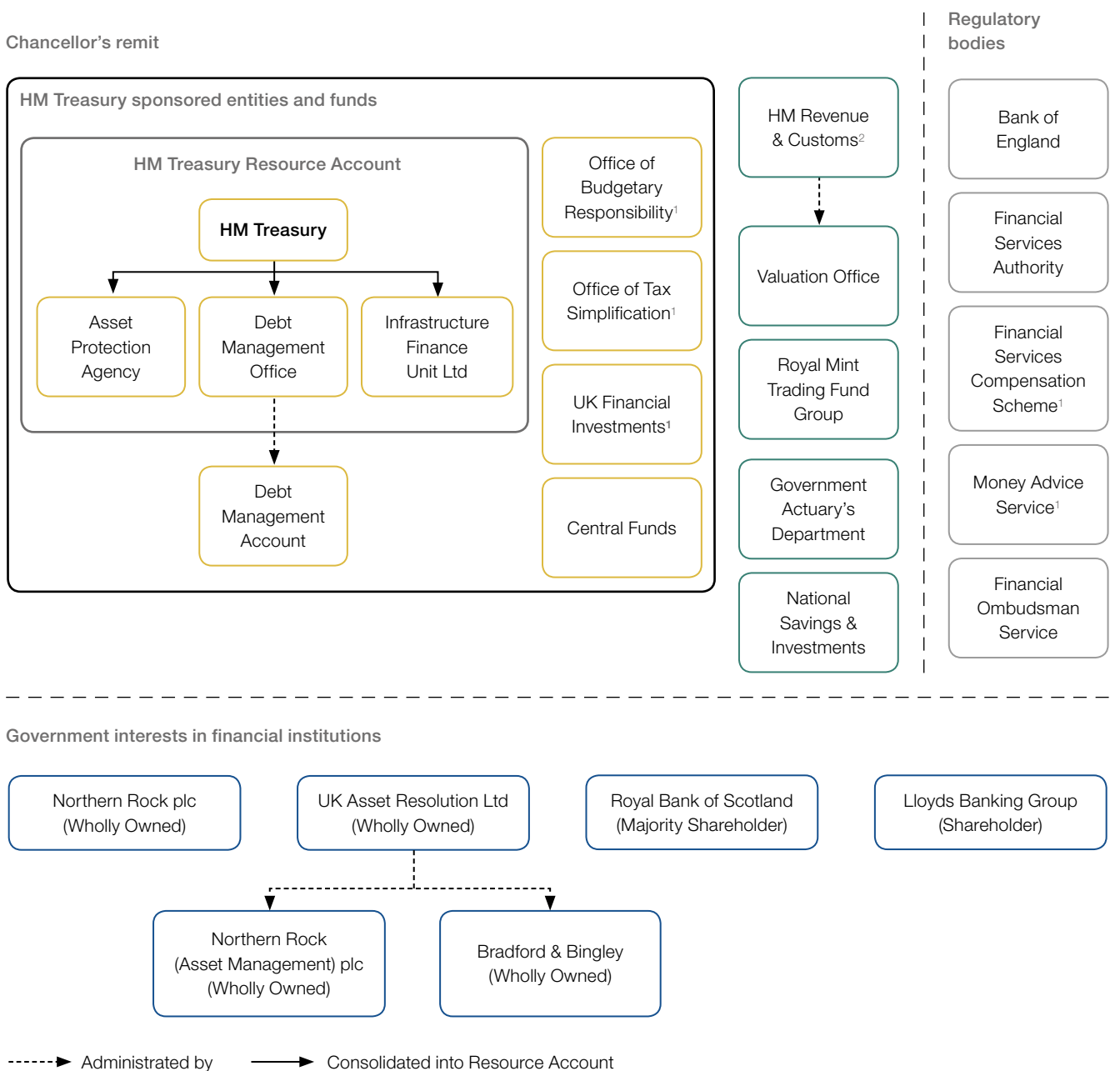
90 While these messages are directed at the sponsor departments in the first instance, it falls to the Treasury to provide leadership and guidance to ensure these are incorporated into future procurements across government.

59 Private Finance Projects: a paper for the Lords Economic Affairs Committee, <http://www.nao.org.uk/idoc.ashx?docId=AC9152E2-5A20-4ABA-971C-90BE498BA4B2&version=-1>

60 http://www.nao.org.uk/publications/1012/lessons_from_pfi.aspx

Appendix One

The Department's related bodies at 1 April 2011



NOTES

1 To be consolidated into HM Treasury's Resource Account under Clear Line of Sight (CLOS) from 2011-12, together with the Royal Mint Advisory Committee and the Financial Reporting Advisory Board.

2 HM Revenue & Customs is the subject of a separate Departmental Overview.

Appendix Two

Results of the Civil Service People Survey 2010

Question scores (% strongly agree or agree)

Leadership and managing change

I feel that the department as a whole is managed well	41
Senior Civil Servants in the Department are sufficiently visible	45
I believe the actions of Senior Civil Servants are consistent with the Department's values	39
I believe that the Departmental Board has a clear vision for the future of the Department	35
Overall, I have confidence in the decisions made by the Department's Senior Civil Servants	36
I feel that change is managed well in the Department	27
When changes are made in the Department they are usually for the better	23
The Department keeps me informed about matters that affect me	54
I have the opportunity to contribute my views before decisions are made that affect me	32
I think it is safe to challenge the way things are done in the Department	39

Organisational objectives and purpose

I have a clear understanding of the Department's purpose	84
I have a clear understanding of the Department's objectives	78
I understand how my work contributes to the Department's objectives	80

Civil Service overall

Department for Business, Innovation and Skills (excluding agencies)																	
Cabinet Office (excluding agencies)																	
Department for Communities and Local Government (excluding agencies)																	
Department for Culture, Media and Sport (excluding agencies)																	
Ministry of Defence (excluding agencies)																	
Department for Education																	
Department of Energy and Climate Change																	
Department for Environment, Food and Rural Affairs (excluding agencies)																	
Foreign and Commonwealth Office (excluding agencies)																	
Department of Health (excluding agencies)																	
HM Revenue & Customs																	
HM Treasury (excluding agencies)																	
Home Office (excluding agencies)																	
Department for International Development																	
Ministry of Justice (excluding agencies)																	
Department for Transport (excluding agencies)																	
Department for Work and Pensions (including Jobcentre Plus and Pension, Disability and Carers Service)																	
	38	33	27	38	23	55	47	38	58	39	12	56	43	60	38	42	25
	50	48	42	62	27	60	68	49	64	51	23	68	50	65	46	53	25
	40	38	28	43	28	49	52	37	60	42	19	52	43	56	40	39	23
	29	24	19	25	21	40	35	31	49	28	15	35	30	51	32	29	20
	33	33	23	33	20	46	49	32	52	37	11	51	39	50	34	32	17
	31	20	21	29	16	41	31	29	45	21	11	35	26	41	27	25	22
	18	15	13	12	12	23	25	20	37	14	9	32	21	30	24	15	15
	58	52	51	68	45	64	69	62	64	52	31	64	57	66	53	57	41
	28	32	29	48	22	34	34	34	43	29	16	54	34	44	31	36	19
	34	38	32	44	35	41	45	40	47	33	21	57	40	42	37	40	28
	75	70	63	71	83	79	89	77	82	74	65	85	82	94	76	68	76
	68	58	59	67	77	69	83	71	79	69	62	79	77	91	70	61	73
	76	67	67	70	81	73	84	77	83	74	65	77	79	90	73	69	75

Appendix Three

Publications by the NAO on the Department since 2008-09

Publication date	Report title	HC number	Parliamentary session
14 July 2011	Comptroller and Auditor General's Report on the Treasury's 2010-11 Accounts: the financial stability interventions	HC 984	2010-12
18 March 2011	Stewardship of the wholly-owned banks: buy-back of subordinated debt	HC 706	2010-11
21 December 2010	HM Treasury: the Asset Protection Scheme	HC 567	2010-11
15 December 2010	Maintaining the financial stability of UK banks: update on the support schemes	HC 676	2010-11
03 December 2010	Examination of the forecasts prepared by the Office for Budget Responsibility for 29 November 2010	HC 653	2010-11
27 July 2010	Financing PFI projects in the credit crisis and the Treasury's response	HC 287	2010-11
06 July 2010	Short guide to the NAO's work on HM Treasury	http://www.nao.org.uk/publications/1011/short_guide_treasury.aspx	
22 June 2010	Examination concerning the forecasts prepared by the interim Office for Budget Responsibility for the emergency Budget	HC 142	2010-11
04 December 2009	Maintaining financial stability across the United Kingdom's banking system	HC 91	2009-10
02 November 2009	Briefing for the House of Commons Treasury Select Committee: performance of HM Treasury 2008-2009	http://www.nao.org.uk/publications/0910/treasury_performance.aspx	
20 March 2009	HM Treasury: the nationalisation of Northern Rock	HC 298	2008-09

Appendix Four

Cross-government NAO reports of relevance to the Department since 2008-09

Publication date	Report title	HC number	Parliamentary session
13 July 2011	Identifying and meeting central government's skills requirements	HC 1276	2010-12
06 June 2011	Managing risks in government	http://www.nao.org.uk/publications/1012/managing_risks_in_government.aspx	
26 May 2011	Option Appraisal: making informed decisions in Government	http://www.nao.org.uk/publications/1012/option_appraisal.aspx	
13 May 2011	Performance Frameworks and Board Reporting II	http://www.nao.org.uk/publications/1012/performance_frameworks_and_boa.aspx	
28 April 2011	Lessons from PFI and other projects	HC 920	2010-12
11 March 2011	Managing staff costs in central government	HC 818	2010-11
03 March 2011	Progress in improving financial management in government	HC 487	2010-11
18 February 2011	Managing the impact of changes in the value of the euro on EU funds	HC 759	2010-11
17 February 2011	Delivering regulatory reform	HC 758	2010-11
17 February 2011	Information and communications technology in government: landscape review	HC 757	2010-11
19 January 2011	Consolidated Statement on the Use of EU Funds in the UK for the year ended 31 March 2009	http://www.nao.org.uk/publications/1011/eu_funds_2008-09.aspx	
21 December 2010	Short Guide to reorganising arm's-length bodies	http://www.nao.org.uk/publications/1011/arms_length_bodies.aspx	
08 December 2010	The impact of the 2007-08 changes to public service pensions	HC 662	2010-11
15 October 2010	The NAO's work on regulatory reform	http://www.nao.org.uk/publications/1011/regulatory_reform.aspx	
14 October 2010	Central government's use of consultants and interims	HC 488	2010-11

Publication date	Report title	HC number	Parliamentary session
18 August 2010	A framework for managing staff costs in a period of spending reduction	http://www.nao.org.uk/publications/1011/managing_staff_costs.aspx	
19 July 2010	Progress with VFM savings and lessons for cost reduction programmes	HC 291	2010-11
13 July 2010	Taking the measure of government performance	HC 284	2010-11
01 July 2010	Assessing the impact of proposed new policies	HC 185	2010-11
21 June 2010	Managing complex capital investment programmes utilising private finance	http://www.nao.org.uk/publications/1011/complex_pfi_projects.aspx	
18 June 2010	A short guide to structured cost reduction	http://www.nao.org.uk/publications/1011/structured_cost_reduction.aspx	
11 June 2010	Financial management in the European Union	HC 34	2010-11
27 May 2010	Non-departmental public bodies performance reporting to departments	http://www.nao.org.uk/publications/1011/ndpb_performance_reporting.aspx	
21 May 2010	A review of collaborative procurement across the public sector	http://www.nao.org.uk/publications/0910/collaborative_procurement.aspx	
18 March 2010	Reorganising central government	HC 452	2009-10
12 March 2010	The cost of public service pensions	HC 432	2009-10
16 December 2009	Independent reviews of reported CSR07 Value for Money savings	HC 86	2009-10
03 December 2009	HM Revenue & Customs' estate private finance deal eight years on	HC 30	2009-10
21 October 2009	Measuring up: fifth validation report	HC 465	2008-09
16 October 2009	Government cash management	HC 546	2008-09
17 July 2009	Financial management in the Department for Communities and Local Government	HC 293	2008-09
03 June 2009	Financial management in the Foreign and Commonwealth Office	HC 289	2008-09

Publication date	Report title	HC number	Parliamentary session
22 May 2009	Financial management in the Home Office	HC 299	2008-09
30 April 2009	Financial management in the Department for Children, Schools and Families	HC 267	2008-09
29 April 2009	Addressing the environmental impacts of government procurement	HC 420	2008-09
26 March 2009	Innovation across central government	HC 12	2008-09
27 February 2009	Helping government learn	HC 129	2008-09
13 February 2009	Recruiting civil servants efficiently	HC 134	2008-09
05 February 2009	Assessment of the Capability Review Programme	HC 123	2008-09
30 January 2009	Delivering high quality impact assessments	HC 128	2008-09
19 December 2008	Central government's management of service contracts	HC 65	2008-09
20 February 2008	Managing financial resources to deliver better public services	HC 240	2007-08
17 January 2008	Making changes in operational PFI projects	HC 205	2007-08

Appendix Five

Other sources of information

Reports from the Committee of Public Accounts since 2008

Publication date	Report title	HC number
24 May 2011	Thirty-seventh Report of Session 2010–12, Departmental Business Planning	HC 650
20 April 2011	Thirty-second Report – Maintaining financial stability of UK banks: update on the support schemes	HC 793
20 April 2011	Thirty-first Report – HM Treasury: the Asset Protection Scheme	HC 785
5 April 2011	HM Treasury asset protection – corrected evidence – 2 February 2011	HC 785-i
3 March 2011	Banking support – corrected evidence – 8 February 2011	HC 973-i
6 December 2010	Comprehensive Spending Review: analysis of departmental Business Plans – corrected evidence – 30 November 2010	HC 650-i
9 February 2010	Maintaining financial stability across the United Kingdom's banking system	HC 190

Recent reports from Central Government

July 2011	Annual Report and Accounts 2010-11, HM Treasury
July 2011	Annual Report 2010-11 – Bank of England Asset Purchase Facility Fund Ltd, Bank of England
16 June 2011	A new approach to financial regulation: the blueprint for reform, HM Treasury
10 March 2011	Independent Public Service Pensions Commission: Final Report, HM Treasury
Various reports in 2011	Structural Reform Plan progress report, HM Treasury
January 2011	Managing taxpayers' money wisely: commitment to action, HM Treasury
October 2010	Spending Review 2010, HM Treasury
November 2010	Business Plan 2011–15, HM Treasury
Autumn 2010	Staff survey 2010, HM Treasury
June 2010	Budget Report, HM Treasury

Cabinet Office Capability Reviews

December 2009	HM Treasury: progress and next steps, Cabinet Office
December 2007	Capability Review for HM Treasury, Cabinet Office

Where to find out more

The National Audit Office website is
www.nao.org.uk

If you would like to know more about
the NAO's work on HM Treasury
please contact:

Steven Corbishley

Director
020 7798 7619
steven.corbishley@nao.gsi.gov.uk

If you are interested in the NAO's work
and support for Parliament more widely,
please contact:

Rob Prideaux

Director of Parliamentary Relations
020 7798 7744
rob.prideaux@nao.gsi.gov.uk

Twitter: @NAOorguk



This report has been printed on Consort 155 and contains material sourced from responsibly managed and sustainable forests certified in accordance with FSC (Forest Stewardship Council).

The wood pulp is totally recyclable and acid-free. Our printers also have full ISO 14001 environmental accreditation. This ensures that they have effective procedures in place to manage waste and practices that may affect the environment.

Design & Production by
NAO Communications
DP Ref: 009700-001

© National Audit Office | September 2011

Printed by Precision Printing



National Audit Office

www.nao.org.uk