



National Audit Office

HM Treasury 2024-25

October 2025

OVERVIEW



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C&AG introduction

In 2025, we set out our [new five-year strategy](#). In delivering our statutory responsibilities, we aim to maximise our contribution to two outcomes – more productive and resilient public services and better financial management and reporting in government.

Our overviews summarise the key information and insights from our examinations of departments and from their annual report and accounts, and explore departments' progress against these crucial outcomes, highlighting positive examples and opportunities to improve.

If you would like more information about our work, or to arrange a briefing with me or one of my teams, please contact our Parliamentary Relations team at parliament@nao.org.uk.

Background to HM Treasury

Objectives

HM Treasury's objectives include delivering sustainable economic growth, building and maintaining strong public finances and managing macro-economic stability.

Departmental group

The departmental group includes arm's-length bodies that are directly consolidated into its accounts, including the Office for Budget Responsibility and the National Wealth Fund (NWF). HM Treasury also has policy responsibility for several public corporations and non-ministerial departments, such as the Bank of England and the Financial Conduct Authority, not consolidated into the departmental group.

Key messages against NAO's themes

Financial management

- The NWF is expanding its investment portfolio, with loan investments rising by £0.9 billion in 2024-25.
- HM Treasury is lending £2.3 billion to Ukraine in three instalments, the first of which was in March 2025. Repayments will come from profits generated by Russian Sovereign Assets in a new and contractually complex arrangement.
- HM Treasury oversees public sector financial reporting. We recently reported that smaller entities are required to follow the same reporting requirements as much larger entities, creating a burden on resources.

Risk and resilience

- Risks to HM Treasury delivering its objectives include inflation, cyber-attacks on critical economic infrastructure, and fiscal sustainability pressures such as the increasing costs from climate change and tariff policies.
- The government aims to boost growth through investing. The Financial Transaction Control Framework aims to help deliver value for money from these investments.
- HM Treasury's climate reporting guidance provides a framework for public sector bodies to disclose their strategy, governance and management of climate-related risks and opportunities. We will be reporting on progress later this year.
- HM Treasury is responsible for the Charter for Budget Responsibility which was updated in October 2024 and approved by parliament in January 2025. HM Treasury set a new requirement that spending reviews be carried out every two years covering a minimum spending period of three years.

Productivity

- HM Treasury plans to improve the information supporting the planning and spending system with a new digital reporting platform.
- HM Treasury, Cabinet Office and No. 10 are introducing a new planning and performance management framework.
- Our work highlights the Government Digital Service's estimate that up to £6 billion a year could be saved by using data analytics to tackle fraud and waste.

About HM Treasury



HM Treasury is the government's economic and finance ministry. It maintains control over public spending, sets the direction for economic policy and oversees the UK tax system.

HM Treasury's mission is to drive sustainable economic growth and maintain robust public finances. The department has six Director General-led groups that enable this.

Figure 1
HM Treasury's responsibilities

HM Treasury's role is as the governments economics and finance ministry

Finance role: Coordinating and overseeing the work of spending departments	
Responsibilities	How HM Treasury demonstrates these responsibilities
Public spending	HM Treasury controls and allocates public spending, including departmental budgets, public sector pay and pensions. HM Treasury aims to ensure that public spending is fiscally sustainable and delivers value for taxpayers.
Economics role: Shaping macro-economic policy	
Responsibilities	How HM Treasury demonstrates these responsibilities
Strategic oversight of UK tax system	HM Treasury holds strategic responsibility for the UK tax system, including designing tax policy. HM Revenue & Customs is responsible for tax collection.
Financial services policy	HM Treasury sets the overarching policy and legislation for UK financial services, ensuring financial stability while protecting customers. It oversees the regulatory framework which the Financial Conduct Authority enforces.
Economic stability	HM Treasury sets UK economic policies, and aims to achieve strong, sustainable and balanced growth across the UK.

Source: National Audit Office analysis of HM Treasury Annual Report and Accounts 2024-25

Figure 2
HM Treasury's six Director General-led groups

The Director General-led groups support HM Treasury's priorities

Tax and Welfare	Public Spending	Chief Economic Adviser
<ul style="list-style-type: none"> Business and International Tax Group Personal Tax, Welfare and Pensions Group Strategy, Planning and Budget Group 	<ul style="list-style-type: none"> Public Services Group Public Spending Group 	<ul style="list-style-type: none"> Economics Group Fiscal Group
Enterprise & Growth Unit	International	Financial Services
<ul style="list-style-type: none"> Infrastructure & Growth Group Companies & Economic Security Group Climate, Energy & Environment Group 	<ul style="list-style-type: none"> International Finance and Economic Security Group International Partnerships and Trade Group Economic Crime and Sanctions Group 	<ul style="list-style-type: none"> Financial Services Group Financial Stability Group

Note

- 1 These six groups are led by Directors General (or the Chief Economic Adviser).
- 2 The National Infrastructure Commission (NIC) and Infrastructure and Projects Authority (IPA) combined on 1 April 2025 to become part of National Infrastructure and Service Transformation Authority (NISTA).

Source: National Audit Office analysis of HM Treasury Annual Report and Accounts 2024-25



Strategic Objective 1: Growth

“Deliver economic growth and raise living standards in every region and nation of the UK.”

Key updates

HM Treasury has encouraged investment in UK economic and social infrastructure projects. It has formed the National Infrastructure and Service Transformation Authority, published the 10-year infrastructure strategy and created the National Wealth Fund (NWF) building on the existing UK infrastructure Bank (UKIB). HM Treasury also published a modern industrial strategy, including a Financial Services Growth and Competitiveness Strategy, and invested in major energy and infrastructure projects including Great British Energy.

How HM Treasury aims to deliver this outcome

- ‘Crowding-in’ investment through the NWF and other public financial institutions.
- Setting and influencing UK financial regulation to promote growth.
- Working with other departments on their strategies, for example the Departments for Work and Pensions and Business and Trade, and working with the Ministry of Defence to boost growth through increasing research and development spending in the UK.

Strategic Objective 2: Public Finances

“Build and maintain strong public finances while rebuilding and reforming public services to improve public sector productivity and deliver value for money.”

Key updates

Spending Review 2025 (SR25) set out the government’s plans to invest in Britain’s security, health and economy. In January 2025, Parliament approved the updated Charter for Budget Responsibility (originally published in October 2024), introducing new fiscal rules for managing the country’s finances. The government also announced the Financial Transaction Control Framework to ensure investments generate a financial return or deliver a clear benefit to taxpayers.

How HM Treasury aims to deliver this outcome

- Fiscal events such as budgets and spending reviews.
- Departmental reporting and controls to manage public spending.
- Maintaining a sustainable balance between taxes, borrowing and debt; and by working with HM Revenue and Customs to ensure taxation policies are fair and effective.

Strategic Objective 3: Stability

“Deliver economic and financial stability to provide certainty for firms and households.”

Key updates

HM Treasury plans to maintain low and stable inflation, support sustainable growth, and strengthen the UK financial system’s resilience. HM Treasury has advocated for global growth levers at the G7 and G20, like the Capital Adequacy Framework and support for Ukraine through the Extraordinary Revenue Acceleration initiative. Domestically, HM Treasury has advanced regulatory reforms to address risks in market-based finance.

How HM Treasury aims to deliver this outcome

- Managing the macro-economic framework and strategy, and targeted regulatory reform.
- Improving cyber and operational resilience in economic infrastructure.
- Working with other countries and monitoring how international events may affect the UK economy.

Structure of HM Treasury's Departmental Group



HM Treasury Group is made up of the core department and arm's-length bodies, which are a combination of executive agencies, non-departmental public bodies, companies and additional bodies.

HM Treasury has policy responsibility for several public corporations and non-ministerial departments, which are not consolidated in the Group accounts but support the government's economic and fiscal strategy. At the time of publication, these bodies form the 'wider departmental group' including:

Public corporations

- Bank of England (and its subsidiaries)
- Financial Conduct Authority
- The Crown Estate
- Royal Mint Trading Fund (and its subsidiaries)
- Local Partnerships LLP
- Financial Services Compensation Scheme

Non-ministerial departments

- Government Actuary's Department
- National Savings and Investments
- HM Revenue and Customs

Additional bodies

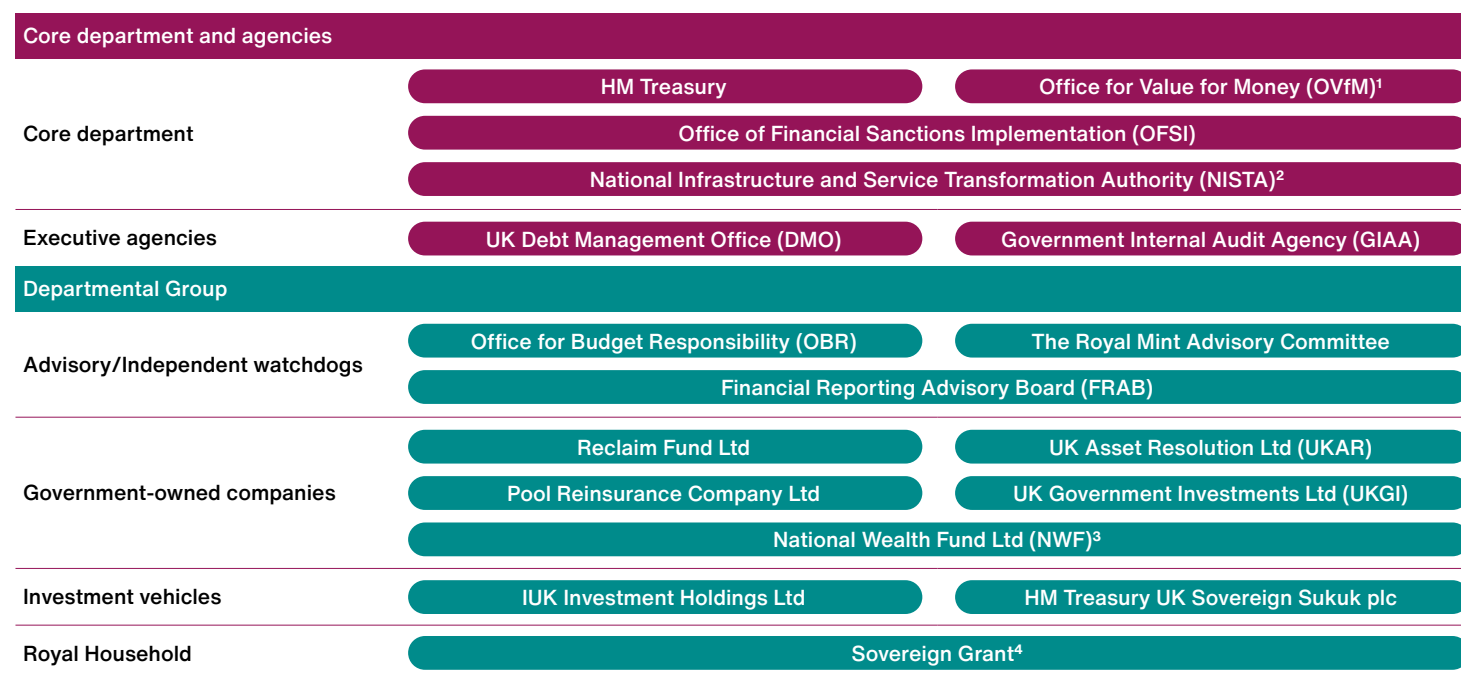
(dual HM Treasury & Cabinet Office reporting)

- Public Sector Fraud Authority

Figure 3

Structure of HM Treasury group as of October 2025

HM Treasury group includes a combination of public bodies such as executive agencies, non-departmental public bodies, companies and advisory groups



Notes

- ¹ The Office for Value for Money is a 'time-limited' entity and is therefore not a permanent unit. A date for its disbandment has not yet been announced.
- ² The National Infrastructure Commission (NIC) and Infrastructure Projects Authority (IPA) combined on 1 April 2025 to become part of National Infrastructure and Service Transformation Authority (NISTA).
- ³ The National Wealth Fund Ltd was formerly known as the UK Infrastructure Bank Ltd, prior to its name change on 14 October 2024.
- ⁴ The Sovereign Grant is due to be renegotiated in 2025-26 for the next settlement which will start in 2027.

Source: National Audit Office analysis of HM Treasury Annual Report and Accounts 2024-25

Where HM Treasury spends its money



Spending and income in 2024-25

HM Treasury spent a total of £2,586 million in 2024-25. Expenditure is split between the core department (£959 million) and Treasury-owned companies (£1,404 million), with the remainder mainly the cost of running arm's-length bodies.

The chart and the figures above exclude the Bank of England Asset Purchasing Facility Fund, which in 2024-25 saw £71 billion in net expenditure, to avoid obscuring the expenditure in the chart.

HM Treasury received income of £8,745 million in 2024-25. Most of this is driven by income of £8,156 million from the sale of the government's holding in NatWest (at 31 March 2025). The final sale of shares took place on 30 May.

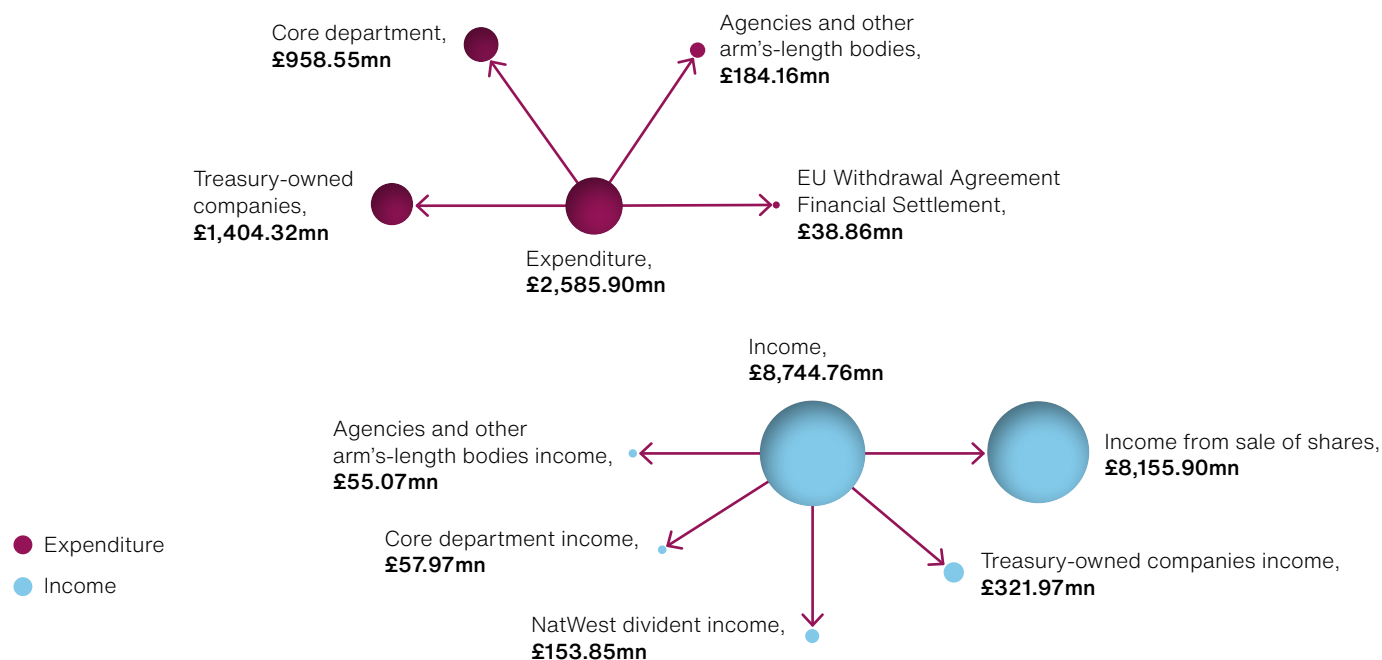
Changes in spending

Expenditure within the year has significantly increased compared to 2023-24 (£1,553 million versus £2,586 million). This is driven by an increase in spending on Treasury-owned companies (£1,404 million versus £726 million) and the core department (£959 million versus £643 million): reflecting an expansion of the UK Infrastructure Bank as it was turned into the National Wealth Fund, and the Extraordinary Revenue Acceleration loans to Ukraine.

Figure 4

HM Treasury departmental group income and expenditure, 2024-25

In 2024-25, HM Treasury spent £2,586 million and received income of £8,745 million



Notes

- 1 This figure includes income and expenditure for the HM Treasury departmental group which includes the core department and the arm's-length bodies. It does not include the wider groups (see departmental structure on page 6) as they do not form part of the department's Parliamentary supply.
- 2 The figure excludes the Bank of England Asset Purchasing facility (£71 billion in net expenditure) to avoid obscuring the other elements of expenditure.
- 3 Figures may not sum due to rounding.
- 4 The income and expenditure totals presented here are combined Resource and Capital totals for both the agreed 2024-25 Departmental Expenditure Limit (DEL) and Annually Managed Expenditure (AME).
- 5 The income totals presented here are a mixture of gross and net. The EU Withdrawal Agreement Financial Settlement is presented as net expenditure to take into account the effects of income due to the UK from the EU on the amounts paid by the UK to the EU.

Source: National Audit Office analysis of the Statement of Parliamentary Supply of the HM Treasury, Annual Reports and Accounts, 2024-25



Planning and spending across government

The planning and spending system

HM Treasury holds the central responsibility for controlling public spending. The Chancellor, working with the Prime Minister, sets the overall spending priorities for the government. Cabinet Office is primarily responsible for strategic management and delivery of the government's priorities, working with HM Treasury and departments.

During a spending review, HM Treasury works with departments to agree departmental expenditure limits, which form departments' budgets for day-to-day spending. HM Treasury spending teams regularly engage with departments regarding the management of their budgets.

SR25 set departmental budgets for day-to-day spending until 2028-29, and until 2029-30 for capital investment, with total departmental budgets growing by 2.3% across the spending review period.

Overview of what has changed

- Since parliament approval in January 2025, the Charter for Budget Responsibility requires spending reviews to be held every two calendar years, covering a spending period of at least three years.
- During SR25, HM Treasury publicly announced that it would include a Zero-Based Review in which all lines of day-to-day government spending must be justified (excluding demand-led spending).
- HM Treasury agreed Efficiency Delivery Plans for each department alongside the spending review.
- HM Treasury created a new £3.25 billion Transformation Fund to drive efficiencies across government and realise long-term savings.
- HM Treasury included further detail in the spending review document to provide a breakdown of spending, such as sub-totals on resource departmental expenditure limits.
- The Chief Secretary to the Treasury announced that approved business cases for major projects will be published by departments in a timely manner to increase transparency.

Overview of future plans

HM Treasury is developing a new digital spending management platform to share live financial, outcome and performance data from departments and programmes. This will build on Cabinet Office's work to digitise major projects reporting through the Government Reporting Integration Platform.

Better cost information can help identify opportunities for improvement, drive efficiency and realise meaningful cost savings. [Our recent report](#) highlights that there is a lack of reliable and usable cost information on government services.

Continued Productivity, public spending and growth



Productivity in the spending review

One of the stated aims of SR25 was to create a cost-conscious culture that creates efficiencies.

Planned efficiency savings

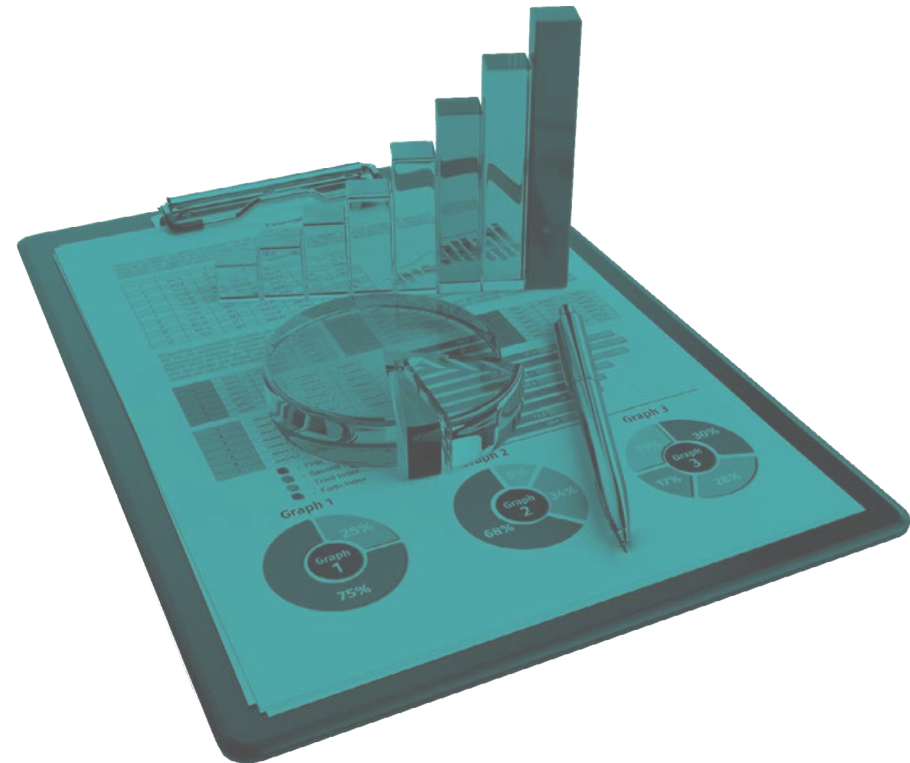
As part of SR25, the Office for Value for Money (OVfM) within HM Treasury agreed net efficiency gains with all departments.

Instead of setting a standard efficiency target for all departments, OVfM agreed bespoke technical efficiency targets for departments where the benefits outweighed the costs of implementation over the spending review period. Official Development Assistance (ODA) was excluded from the process due to recent significant changes to the ODA budget to allow for increased defence spending.

The government has committed to an expectation of at least 1% technical efficiencies for all departments in all future years.

Figure 5 on page 10 shows that the agreed efficiencies (as a percentage of agreed day-to-day spending) are highest in the third year (2028-29) of the spending period.

Spending totals will be revisited in the next spending review, in 2027.



Continued Productivity, public spending and growth



Figure 5

Planned day-to-day departmental spending against planned efficiency savings, excluding Official Development Assistance and depreciation

Efficiency savings as a percentage of planned day-to-day spending increases towards the end of the spending period

	2026-27		2027-28		2028-29	
	Planned spending ² (£bn)	Efficiency savings (%)	Planned spending ² (£bn)	Efficiency savings (%)	Planned spending ² (£bn)	Efficiency savings (%)
Health and Social Care	211.0	1.3 ●	221.3	2.6 ●	232.0	3.9 ●
Education (excluding core schools)	24.1	0.3 ●	27.6	0.6 ●	29.3	0.8 ●
Home Office	20.9	0.8 ●	20.4	1.6 ●	20.6	2.6 ●
Justice	12.6	0.9 ●	12.9	1.8 ●	13.2	2.7 ●
Defence	39.6	1.4 ●	41.0	2.0 ●	42.0	2.2 ●
Housing, Communities and Local Government	4.2	1.0 ●	4.2	1.0 ●	4.2	1.2 ●
Culture, Media and Sport	1.6	1.8 ●	1.6	2.7 ●	2.0	2.6 ●
Science, Innovation and Technology	0.8	1.1 ●	0.8	2.1 ●	0.7	4.6 ●
Transport	8.1	3.9 ●	7.7	6.4 ●	7.5	8.8 ●
Energy Security and Net Zero	2.0	1.5 ●	2.0	4.1 ●	1.7	9.2 ●
Environment and Rural Affairs	4.8	1.1 ●	4.8	2.1 ●	4.7	3.1 ●
Business and Trade	1.9	1.3 ●	1.8	3.0 ●	1.8	4.2 ●
Work and Pensions	10.8	1.5 ●	11.0	1.9 ●	10.9	2.9 ●
HM Revenue and Customs	6.4	2.2 ●	6.5	6.2 ●	6.4	12.1 ●
HM Treasury	0.4	1.3 ●	0.4	2.0 ●	0.4	3.3 ●
Cabinet Office	1.0	2.0 ●	1.2	2.4 ●	1.0	4.0 ●

Notes

- 1 A blue colour grading has been added, from light blue 1% (the government's minimum technical efficiency target for each year) to dark blue at the highest percentage (12.1%) to highlight the largest agreed efficiency as a percentage of yearly spending.
- 2 Spending is shown as it is presented in the Efficiency Delivery Plans, as Resource Departmental Expenditure Limits (RDEL), excluding Official Development Assistance (ODA) and depreciation. ODA is excluded as recent significant changes have led to ODA being excluded from efficiency savings plans pending a wider review of ODA, and depreciation is excluded because it is a non-cash item. RDEL includes day-to-day spending, such as administration and programme spending.
- 3 Two departments are excluded from this table. The Foreign, Commonwealth and Development Office (FCDO) is excluded because its spending is driven by ODA and the exclusion of ODA from the Efficiency Delivery Plans limits the accuracy of determining future percentages of efficiency savings. The Small Departments grouping has been excluded as the number of departments and independent bodies in the group (15) limits the accuracy of determining future percentages of efficiency savings.
- 4 Minor discrepancies due to rounding.

Continued Productivity, public spending and growth



Tackling the efficiency challenge

Efficiency framework

The current framework, the Government Efficiency Framework, was published in July 2023 and defines efficiencies in government:

- **‘Technical efficiencies’:** achieving efficiency gains by carrying out activities with fewer resources or to a higher standard without additional resources.
- **‘Allocative efficiencies’:** moving funds to activities where a better ratio of costs to benefits can be achieved.

These definitions were not new to the current framework, as they were also present in 2021, as highlighted in the NAO’s report [Efficiency in government](#). The report highlighted that the government does not always consistently follow its own rules on efficiency, with departments rarely stopping efficiency programmes if they do not achieve greater efficiency.

Productivity

HM Treasury initiatives

Central oversight

SR25 announced a new planning and performance framework to be introduced and overseen by HM Treasury, Cabinet Office and No. 10.

The Office for Value for Money (OVfM) was established in October 2024. Its remit includes advising ministers on decisions for SR25 and recommendations for reform to improve value for money. The OVfM is a ‘time-limited’ body and is expected to be closed by the government.

During SR25, HM Treasury required departments to complete initial fraud impact assessments for the largest programmes across government and assessed them with assistance from the Public Sector Fraud Authority. High-risk areas received further scrutiny.

Technology

The government as a whole and HM Treasury in particular, through its ownership of the Spending Review process, has emphasised that it is funding technology to “drive a major overhaul in government productivity and efficiency.” This includes cross-government projects such as the National Data Library.

HM Treasury has also highlighted some of the technology projects that it is conducting internally. Over 2024-25, HM Treasury’s Data Hub launched its data strategy supported by a new data management branch. The Hub was testing an AI tutor to assist with computer programming at the time of the publication of HM Treasury’s annual report (July 2025).

Areas for improvement

Recovering the costs of public services

Public services could drive efficiencies through improving oversight and reporting of how fees and charges are recovered. [Our work on this](#) found that the government is missing opportunities to deliver efficiencies and share good practice. This poses risks to value for money for customers, businesses and taxpayers.

Data analytics

A key area where technology can help to improve productivity is through data analytics for fraud and error. [Our recent report](#) on this area highlights a Government Digital Service estimate that up to £6 billion a year could be saved by using data analytics to tackle fraud and waste.

Continued Productivity, public spending and growth



Fiscal strategy and the Financial Transaction Control Framework

HM Treasury's role in fiscal management

HM Treasury has overall responsibility for public spending and managing fiscal policy.

The government's fiscal strategy

The Charter for Budget Responsibility, which Parliament approved in January 2025, sets out the government's new fiscal strategy for managing the country's finances, including reforming the fiscal framework. The government has three fiscal rules:

- 1 Stability rule: The current budget should be on course to be in balance or surplus by 2029/30;**
- 2 Investment rule: Net financial debt should fall as a share of the economy in 2029/30; and**
- 3 Welfare cap: Some types of welfare spending must remain below a pre-specified level.**

The government's preferred debt measure has moved from Public Sector Net Debt to Public Sector Net Financial Liabilities (PSNFL), also called 'net financial debt'. PSNFL is a broader measure and includes additional assets and

liabilities, such as funded pensions obligations, standardised guarantees and illiquid financial assets like equity stakes and loans.

Net financial debt rose to 82.5% of GDP in 2024-25, which is an increase of 1.7% from the previous year.

The Financial Transaction Control Framework (FTCF)

The FTCF, announced in the Autumn Budget 2024, builds on existing guidance and aims to ensure that the government's investments – such as making loans or buying financial assets – are sustainable and represent value for taxpayers.

The FTCF entrusts specific public financial institutions (PuFins) to make and manage these investments, as they should have the correct expertise and risk management systems – especially for large-scale, complex or high-risk financial transactions.

PuFins are typically independent of spending departments but sponsored by them. HM Treasury aims to work with sponsor departments in setting a total capacity, a risk limit, a returns target and an annual financial transaction limit for PuFins.

Public financial institutions (and their sponsor departments)

- The National Wealth Fund (HM Treasury)
- British Business Bank (Department for Business & Trade (DBT))
- UK Export Finance (Independent, working alongside DBT)
- British International Investment (Foreign, Commonwealth & Development Office)
- The Student Loans Company (Department for Education and devolved governments)
- Homes England (Ministry of Housing, Communities & Local Government)
- UK Research and Innovation (Department for Science, Innovation & Technology)
- Great British Energy (Department for Energy Security & Net Zero)

UK Government Investments (UKGI) is responsible for stewarding the government's interests in a range of state-owned assets. UKGI will publish an annual report on the performance of central government's financial investments.

Continued Productivity, public spending and growth



As part of its ownership of the Growth Mission, HM Treasury is undertaking a number of measures to boost growth

Investment

One of the direct measures that HM Treasury has taken is the expansion of the UK Infrastructure Bank into the National Wealth Fund (NWF) in October 2024.

The NWF is one of the entities responsible for delivering the growth objective using a range of financing tools to fund private sector projects across the government's key priority sectors in the £25–50 million range.

Within the year, the NWF provided six guarantees to underpin sector funding for projects. The government committed an additional £5.8 billion to the NWF, on top of the £22 billion that had been available through UKIB.

Infrastructure

The National Infrastructure and Service Transformation Authority (NISTA) was formed on 1 April 2025 through the merger of the National Infrastructure Commission and the Infrastructure and Projects Authority. It aims to support growth by linking infrastructure strategy and assurance with ministerial decision-making. NISTA assists departments to manage delivery objectives for high-priority projects and to provide assurance reviews for major projects. It intends to boost transparency through a public Infrastructure Pipeline and the annual report on the Government Major Projects Portfolio.

The government has also announced a £100 billion 'uplift' in capital spending at the 2024 Autumn Budget.

In June 2025, HM Treasury released its 10-year infrastructure strategy. It aims to provide more long-term certainty for private investment by confirming funding over the next decade and balancing development across the country. It includes programmes, such as HS2, that are already ongoing.

Supporting regional growth

HM Treasury continues to build its regional presence outside of London. The department has highlighted the Darlington Economic Campus as a successful model for regional development.

An evaluation report, published in September 2024, found the campus contributed to increased revenue for local businesses, although a full economic evaluation has not yet been completed.

By 31 March 2025 the department had 340 full-time equivalent roles in Darlington. It does not highlight what proportion of staff members live in the Darlington area.

During 2024-25, around 75% of HM Treasury new starters at Darlington had not previously been civil servants.

Risk, resilience and stability



Risks to HM Treasury's strategic objectives

HM Treasury has highlighted the following key issues and risks related to the delivery of economic growth across the UK

Risks	Mitigations
Overall dependency of the Growth Mission on wider macro-economic factors ¹	HM Treasury has established a growth policy, strategy and delivery architecture to oversee and coordinate the cross-government Growth Mission with regular reporting and monitoring.

HM Treasury has highlighted the following key issues and risks related to sustainable finances in its annual report

Risks	Mitigations
UK's pension system has a potential fiscal risk due to challenges presented by an ageing population	The Final Report of the Pensions Investment Review was published in May, setting out the government's plans to improve investment and returns through large defined contribution schemes and reforming the Local Government Pension Scheme to improve sustainability and support regional growth.
The performance of the public sector balance sheet	The new fiscal framework aims to address long-term challenges and provide greater transparency of the public finances. The government also committed to publishing an annual report on the performance of its financial assets.
The UK faces increasing costs from damage posed by climate change	One of the government's missions is to make the UK a clean energy superpower by securing our energy supply with home-grown, delivering clean power by 2030 and accelerating to net zero across wider sectors of the economy. The government has allocated £59 billion to net zero spending over the five years from 2025-26 to 2029-30.
Recent global shocks have resulted in greater uncertainty and fiscal pressures amid a shifting international landscape	Strengthen partnerships and aim to grow the economy through recent trade deals such as with the US, EU and India. Also committing to national security by increasing spending on defence to 2.6% from 2027, with an ambition to reach 3% in the next Parliament.

HM Treasury has highlighted the following key issues and risks related to macro-economic stability in its annual report

Risks	Mitigations
Lack of macro-economic stability due to increased global risk and economic uncertainty	Stability is being promoted through maintaining standards and the financial system with the new fiscal rules, regularly checking economic data and working with experts to be ready for any new risks.
International events impacting the UK economy, including illicit financial flows and market volatility	HM Treasury is continuing to work with other countries and closely watching how international events might affect the UK's economy. HM Treasury is co-leading the delivery of the Economic Crime Plan 2023-26.
High inflation and cost of living	Although inflation began to fall in 2024-25, it has risen in recent months and could rise again, impacting the economy. The government continues to support the independent Bank of England as it acts to return inflation sustainably to target.
UK financial Critical National Infrastructure impacted by technological failure, cyber-attack or malicious attack	HM Treasury has plans in place at local and national levels, regularly practises how to respond to incidents, and works with other authorities and key partners in the financial sector, to make sure it can respond quickly under the UK's Authorities' Response Framework. It also invests in making systems more secure and reliable.

¹ The Growth Mission is one of five missions which the government aims to use to foster cross-departmental working.

Continued Risk, resilience and stability



Regulation and macro-economic stability

HM Treasury states that effective financial system regulation is key for macro-economic stability and creating conditions for sustainable economic growth. Various regulatory and oversight bodies work together to support these objectives, forming a wider financial services regulatory regime.

Government bodies in the regulatory regime:

- **The Bank of England**, particularly the Prudential Regulation Authority which undertakes prudential regulation of banks, insurers and major investment firms, and the Financial Policy Committee which issues directions to ensure the broader financial system's stability.
- **The Financial Conduct Authority (FCA)** is an independent regulatory body financed by charging fees to the financial services industry. The FCA regulates the financial services industry in the UK to protect consumers, keep the industry stable and promote healthy competition between providers.
- **The Competition and Markets Authority** helps people, businesses and the UK economy by promoting competitive markets and tackling unfair behaviour.

Overview of what has changed:

- In May 2025, the Chancellor outlined a series of measures to grow and enhance the financial services sector, including large scale reform of the Financial Ombudsman Service (FOS).
- FOS announced redress system reforms to prevent compensation delays.
- The government announced its intention to consolidate the Payment Systems Regulator into the FCA.
- HM Treasury published an action plan setting out the government's approach to regulation and supporting growth.

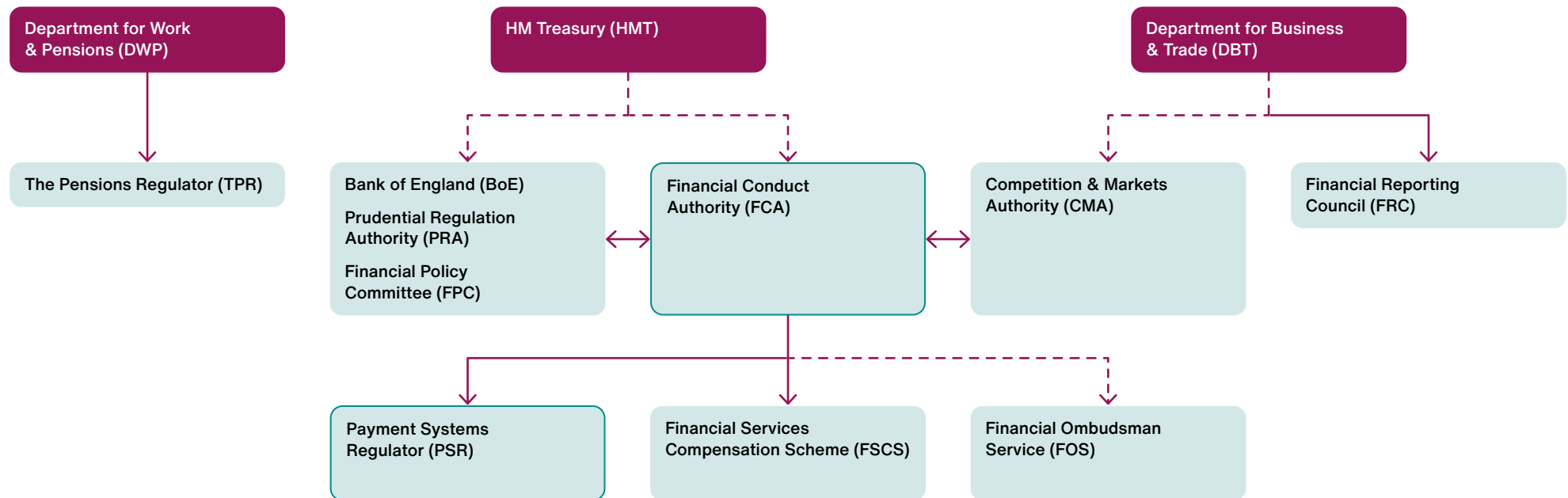
Continued Risk, resilience and stability



Figure 6

Regulators and other government bodies involved in the wider financial services regulatory regime, as of March 2025

The financial regulation regime involves a wide range of regulators and two other central departments



- Government department
- Regulator or other body
- To be merged
- Direct operational oversight
- → Indirect oversight over an operationally independent body
- ↔ Regulatory cooperation (such as: FCA and PRA on prudential regulation; FCA and CMA on competition)

Note

1 The Prime Minister announced in March 2025 that the Payment Systems Regulator will be merged into the Financial Conduct Authority (FCA). This is part of a broader approach to simplifying the financial services regulatory regime.

Continued Risk, resilience and stability



Bank of England: Financial stability and resilience

The Bank of England is operationally independent of HM Treasury, with specific statutory responsibilities for setting monetary policy and enhancing financial stability.

The government set the Bank of England an inflation target of 2%. In 2024-25, inflation fell to 2.4% from 5.7% in 2023-24, partly driven by falling global energy prices and slower wage growth.

The Bank of England Asset Purchase Facility Fund (BEAPFF)

The Bank of England Asset Purchase Facility Fund (BEAPFF) is a wholly owned subsidiary of the Bank of England that acts as the legal entity for transactions related to asset purchases.

BEAPFF was created in 2009 to support the quantitative easing programme which was introduced in response to the financial crisis. The Bank's Monetary Policy Committee uses quantitative easing to provide monetary stimulus if projected inflation falls below the Bank's target (see **Figure 7** on page 18).

From 2015-16 onwards the BEAPFF has been the largest item on HMT's balance sheet. On 13 May 2025, the authorised maximum size of the BEAPFF was reduced from £654.5 billion to £619.7 billion and is entirely composed of government gilts. The reduction reflects the Bank's continuing programme to unwind the BEAPFF.



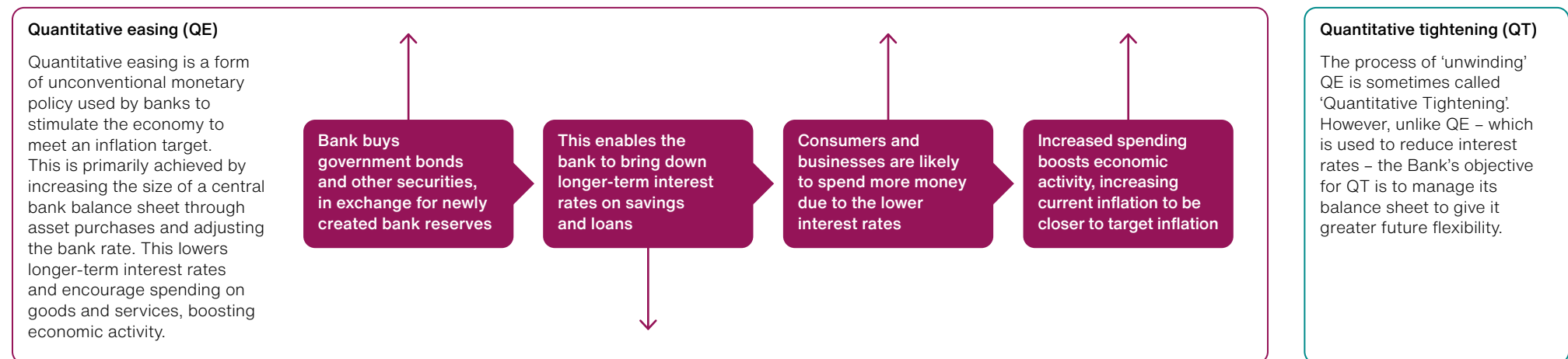
Continued Risk, resilience and stability



Figure 7

The effect of quantitative easing and tightening

The Bank of England's Monetary Policy Committee (MPC) use quantitative easing/tightening as a monetary policy tool



Source: National Audit Office analysis of the Bank of England's approach to quantitative easing and tightening



Major financial exposures

HM Treasury's loans to Ukraine

To strengthen Ukraine's military capability, the UK is lending £2.26 billion to the Ukrainian government. This loan will be in three tranches, with the first instalment of £0.8 billion being paid on 6 March 2025 and the second instalment of £0.7 billion being paid after the financial year end on 14 April 2025. £1.5 billion has been provided to date. HM Treasury administers and accounts for the loan.

This is part of the G7's \$50 billion Extraordinary Revenue Acceleration. Each member of the G7 is providing budgetary, military and reconstruction assistance through bilateral loans.

Ukraine will use the UK's loan only for the procurement of military equipment through the UK's Ministry of Defence.

Loan repayments will be made from the profits of immobilised Russian sovereign assets, so the repayments depend on the performance of the assets and the outcome of the Russia-Ukraine war. This makes the lending arrangement new, unique and contractually complex.

The loan is additional to all other military and humanitarian support the UK provides to Ukraine. Other military aid to Ukraine is funded by the Treasury Reserve following requests from the Ministry of Defence.

National Wealth Fund (NWF) loan investments

The NWF is expected to make investments through a number of different means in the future, including direct lending, financial guarantees, direct equity, blended finance and fund investment. There was an increase in new loan investments of £899 million in 2024-25.

In 2024-25 there was an underspend on capital investment in the fund of nearly £800 million, primarily due to the deferral of project drawdowns. However, net resource expenditure was greater than initially planned, due to an increase in expected credit losses. These losses were £57 million at 31 March 2025 (£25 million in 2023-24).

European Union (EU) Withdrawal Agreement and Financial Settlement

The UK left the EU in January 2020 under the Withdrawal Agreement. As the counterparty to the agreement, HM Treasury holds the financial responsibility for the balances which the UK still owes to the EU and which the EU still owes to the UK.

The settlement currently has a total net balance sheet liability of £7 billion as of 31 March 2025, which has reduced from £7.5 billion at 31 March 2024. This is the net of the balances owed by the EU (£3.1 billion), the balances to be paid by the UK to the EU (£623 million) and provisions made by the UK to cover future potential expenditure due under the agreement (£9.5 billion).

Continued Financial management and reporting



Exposures related to the 2007–09 financial crisis (NatWest sale and legacy pension schemes)

In May 2025, after the financial year end, HM Treasury conducted the final sale of NatWest shares, returning it fully to the private sector. Remaining balances relate to closed defined benefit pension schemes of previously owned commercial banks such as Northern Rock and Bradford & Bingley. The net pension asset was valued at £364 million at 31 March 2025.

Pool Reinsurance Company Limited's (Pool Re's) Financial Instruments

Pool Re's investment fund of £7.3 billion provides support in the event of a major terrorist incident in the UK, reducing the risk of relying on taxpayer funding.

Bank of England Asset Purchase Facility Fund (BEAPFF)

HM Treasury's accounts recognise the government's investment in the Bank of England, at £3.6 billion in 2024-25. HM Treasury provides an indemnity to the BEAPFF over its functions as a holding vehicle. Under this agreement HM Treasury indemnifies the Bank for any losses, while accruing any gains. This indemnity was valued as a £171.9 billion liability at 31 March 2025.



Continued Financial management and reporting



Financial management and reporting

As the UK's finance department, HM Treasury has several responsibilities that focus explicitly on financial reporting and management, that are relevant across government.

The Whole of Government Accounts

As part of the audit of the 2023-24 Whole of Government Accounts (WGA), published by HM Treasury in July 2025, the Comptroller & Audit General (C&AG) was unable to express an audit opinion, because a large number of audited entities were consolidated into the accounts with unaudited data. The inclusion of unaudited data is in part due to significant delays in local government audit. The C&AG also disclaimed the 2022-23 WGA.

Ownership of guidance

HM Treasury is responsible for a range of 'colour books' which provide guidance on specific topics. These include the Green Book, which sets out how to appraise projects; the Magenta Book, which provides guidance on evaluating policy and programmes; and the Orange Book, which sets out risk management principles and concepts. In April 2025, the Government Project Delivery team published a Teal book on project delivery in government. HM Treasury have plans to release an updated Green Book in early 2026.

Sponsoring the finance profession in government

HM Treasury sponsors the Government Finance Function (GFF), which supports over 10,000 finance professionals across the whole of government. In July 2025, the GFF set out its wider strategy up to 2030, which included an ambition to make use of timely and accurate data and improved analytical tools.

Managing Public Money

HM Treasury is responsible for Managing Public Money (MPM), which outlines the standards expected of accounting officers, as heads of government organisations. MPM's most recent update in June 2025 included guidance on the circumstances in which it might be appropriate to 'pre-fund' future liabilities; revised guidance on subsidy control; and updated guidance on the use of models in government, the reporting of fees and charges, and managing risk. These updates are communicated through 'Dear Accounting Officer' letters issued by the Treasury Officer of Accounts.

Public sector climate reporting

HM Treasury issues the Sustainability Reporting Guidance (SRG), which sets out the standards underpinning sustainability reporting in annual reports for use in central government. These include requiring bodies to disclose

their performance against the government's Greening Government Commitments, including greenhouse gas emissions, waste resources and other reporting matters such as reducing environmental impacts from IT.

HM Treasury published the final version of the Task Force on Climate-related Financial Disclosures (TCFD)-aligned disclosure Application Guidance in December 2024. In July 2025, this was consolidated with an Appendix added to the SRG for the UK public sector Concepts, Principles and Foundations. This guidance marks the final stage of a phased programme of guidance on the implementation of TCFD, beginning in 2023. HM Treasury's TCFD-aligned guidance provides a framework for public sector bodies to disclose their strategy, governance and management of climate-related risks and opportunities, and brings public sector sustainability reporting in line with the requirements for large UK companies in the private sector.

Proportionality of financial reporting

HM Treasury is responsible for setting the reporting requirements for financial management across government. [We recently looked at accountability requirements](#) for smaller government arm's-length bodies. One of our findings was that reporting requirements can be the same for larger and smaller bodies, creating difficulties for smaller bodies with more limited resources.

More information about our work



[Financial management of fees and charges](#)

June 2025

This report considers how effectively government bodies manage fees and charges for services. We found that:

- government services are unlikely to achieve cost recovery through fees and charges; and
- HM Treasury does not provide enough oversight, challenge or guidance on how charging bodies should manage charged services effectively.

[Lessons learned: private finance for infrastructure](#)

March 2025

This report aims to support members of Parliament, decision-makers across government and their advisers as they develop plans for new infrastructure. We highlight 12 considerations for decision-makers, grouped into three areas:

- creating the right conditions to support investor and public confidence;
- making the right decisions at policy and project levels; and
- adopting a commercial strategy to deliver successful outcomes.

[Using data analytics to tackle fraud and error](#)

July 2025

This report examines how well placed government is to use old and new data analytic technologies to tackle fraud and error. We found that:

- most tools used by the government are for detecting, and not preventing, fraud and error; and
- there is no clear plan for realising the potential of data analytics to tackle fraud and error across government.

[How the NAO provides assurance on good governance and propriety](#)

December 2024

This overview details the NAO's assurance work on good governance and propriety, and refers to HM Treasury guidance on what is expected of government. We draw out:

- the importance of an effective board for good governance and leadership;
- the accounting officer's role in managing public money effectively; and
- how audit and risk assurance committees facilitate good governance through scrutiny and challenge.

[Accountability in small government bodies](#)

June 2025

This report considers how a proportionate approach to compliance with requirements can improve efficiency and effectiveness while delivering accountability across small bodies. We found that:

- the functional standards are designed to be tailored to organisations of varying size and complexity, but some aspects are better suited to larger organisations;
- the same financial reporting requirements apply to most UK central government bodies, regardless of size, complexity and level of risk; and
- some small bodies with limited expertise find it especially challenging to comply with requirements.

NAO Work in Progress relating to HM Treasury

[National Savings and Investments Business Transformation Programme](#) – Expected publication date: autumn 2025

[Government exits and redundancies](#) – Expected publication date: autumn 2025

[Regulating for growth](#) – Expected publication date: winter 2025/26

About the NAO

The National Audit Office (NAO) is the UK's independent public spending watchdog and is responsible for scrutinising public spending for Parliament. We audit the financial accounts of all departments, executive agencies, arm's-length bodies, some companies and charities, and other public bodies. We also examine and report on the value for money of how public money has been spent.

The NAO is independent of government and the civil service. The NAO's wide remit and unique access rights enables us to investigate whether taxpayers' money is being spent in line with Parliament's intention and to respond to concerns where value for money may be at risk.

We support all Members of Parliament to hold government to account, and we use our insights to help those who manage and govern public bodies to improve public services.

We produce reports:

- on the annual accounts of government departments and their agencies;
- on the economy, efficiency and effectiveness with which government has spent public money; and
- to establish the facts where there are concerns about public spending issues.

We do not question government policy objectives. We look at how government has spent money delivering those policies and if that money has been used in the best way to achieve the intended outcome.

How the NAO supports Parliament

Through our website or our Parliamentary Relations team, MPs, peers and staff can:

- request a personal briefing on areas of our work that are of interest to them;
- sign up to receive embargoed copies of our reports on subjects of interest;
- make general queries about public spending, or raise concerns with us about value for money; and
- request advice on understanding and scrutinising departments' annual reports and accounts.

Our dedicated Parliamentary team can offer you support and put you in touch with our experts on subjects of interest to you and your constituents. If you would like more information about our work, or to arrange a briefing, please contact our Parliamentary Relations team at parliament@nao.org.uk.

Other relevant publications

More information about our work, as well as information about our other recent and upcoming reports can be found on the [NAO website](#).

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About this report

This report provides an overview of the NAO's examination of HM Treasury's spending and performance.

It is intended to support the Treasury Committee and members across the House in their examination of HM Treasury.

This report updates our previous report: [HM Treasury 2023-24](#), published in October 2024.

How we have prepared this report

The information in this report draws on the findings and recommendations from our financial audit and value-for-money work, and from publicly available sources, including the annual report and accounts of HM Treasury and its partner organisations. In some cases, to provide the most up-to-date information, we have drawn on information from HM Treasury documents. We have cited these sources throughout the guide to enable readers to seek further information if required.

Where analysis has been taken directly from our value for money or other reports, details of our audit approach can be found in the Appendix of each report, including any evaluative criteria and the evidence base used. Other analysis in the guide has been directly drawn from publicly available data and includes the relevant source as well as any appropriate notes to help the reader understand our analysis.