

National Audit Office

# HM Treasury
2025-26

November 2026

OVERVIEW

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# Summary



## 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 (pages 4 to 7) | |
|---|---|
| **Purpose** | HM Treasury is the UK government's economics and finance ministry. Its role encompasses developing economic policy, maintaining control over public spending, and overseeing the tax system. It has three strategic outcomes which guide its priorities: Outcome 1: Growth; Outcome 2: Public finances; Outcome 3: Stability (see page 4). |
| **Insights from our work (pages 8 to 21)** | |
| **Financial management and reporting** | HM Treasury published its Annual Report and Accounts 2025-26 before Parliament's summer recess, and the C&AG's audit opinion was unqualified. |
| | Among matters noted by the C&AG as significant in his audit was the increase in amortised cost loans issued by the National Wealth Fund (a Treasury-owned company) from £1.5 billion to a total of £6.8 billion, most of which related to Sizewell C. |
| | Internal audit gave a 'moderate' opinion on HM Treasury for 2025-26 for the fifth year. HM Treasury says it has worked more closely with Internal Audit this year to ensure that higher risk areas are included in the audit programme. In response to findings from both internal audit and the C&AG, HM Treasury is strengthening oversight of its arm's length bodies, with particular focus on risk reporting and escalation. |
| | The Government Finance Function reports to HM Treasury and aims to drive a step-change in financial management across government. However, poor cost data and slow adoption of common standards are barriers. |
| | HM Treasury is reducing its day-to-day controls over departments' spending, in favour of a stronger role for Accounting Officers as managers of government departments' budgets and greater transparency between departments and HM Treasury. This is known as Project RESET. |
| **Productivity** | Under HM Treasury's new continuous approach to improving efficiency, it and other departments will report publicly on their progress in 2027. HM Treasury has committed to deliver efficiencies of at least 3% (£13 million) by 2028-29. |
| **Risk and resilience** | As both economics and finance ministry, HM Treasury faces complex and dynamic risks affecting all its strategic outcomes. It must balance short-term operational demands with long-term preparedness. |
| | In October 2026 UK Government Investments published the second annual Financial Investment Report setting out the government's financial investment portfolio, its value, risks and returns. This is part of the new Financial Transaction Control Framework and a key control to help manage risk as the government ramps up investments to support growth. |
| | HM Treasury is accountable for the cross-government Risk Centre of Excellence which provides guidance and supports departments to improve their risk management. In 2025-26, HM Treasury introduced an improvement plan to further strengthen its own internal framework of governance, risk management and control. |

# Strategic outcomes



HM Treasury mission is to 'drive sustainable economic growth and maintain robust public finances'. It has three strategic outcomes which guide its priorities and help it to assess its performance and progress in managing the UK's public finances and supporting the economy. HM Treasury's annual report and accounts detail its progress against these objectives (**Figure 1**).

## Figure 1

HM Treasury's strategic outcomes and priorities in 2025-26

| Strategic outcome | HM Treasury's priorities | Performance against key measures and examples of progress in 2025-26 | Where to find out more |
|---|---|---|---|
| **1** Growth: Deliver economic growth and raise living standards in every region and nation of the UK. | Raising living standards by sustainably growing the economy. HM Treasury's focus is on strengthening the economy across all regions by boosting productivity and increasing the number of people in good jobs. | • While GDP per capita increased for the second year (by 0.8%), real household disposable income (RHDI) per capita fell by 0.3% in 2025-26, following an increase of 3% in 2024-25.[1] HM Treasury says the decrease reflects lower income from sources other than wages (such as dividends or rental income), and higher taxes.<br>• HM Treasury is allocating more than £120 billion for additional capital spending by departments across the period to 2028-29 while trying to attract and secure private capital investment.<br>• During 2025-26, HM Treasury established the Public Investment Roundtable (PIR), bringing together the CEOs of the UK's public financial institutions (including the National Wealth Fund, the British Business Bank and UK Export Finance) to collaborate more effectively, improve access to finance, support priority projects and unlock investment. | For more on:<br>• HM Treasury measures to boost growth see page 16<br>• public financial institutions see page 17 |
| **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. | Stabilising and improving the public finances, creating conditions for growth and bringing down debt and borrowing. | • Starting with Spending Review 2025, HM Treasury, is moving towards a more strategic approach to public spending by setting multi-year budgets that give departments certainty to plan for long-term value for money outcomes. It is also trying to continuously improve efficiency and cut waste in departmental spending.<br>• Government borrowing fell by almost 1% to 4.3% of GDP in 2025-26, its lowest level in 6 years. HM Treasury says that, combined with the actions of the Bank of England's Monetary Policy Committee (MPC), this contributes to reducing inflationary pressures, while protecting investment to boost productivity. In October 2026 the OBR stated that the UK's economic and fiscal position remained very challenging. It noted the conflict in the Middle East as a key risk to its forecast, given the implications for energy prices, interest rates and inflation. It forecast further reduction in borrowing, though it expected this would be slowed in the near term by the rise in interest rates and increase in inflation. | For more on:<br>• public spending see page 12;<br>• efficiency see pages 13-14. |
| **3** Stability: Deliver economic and financial stability to provide certainty for firms and households. | Maintaining low and stable inflation, supporting sustainable growth, and strengthening the resilience of the UK's financial system. | • Inflation stood at 3.3% at the end of 2025-26 (2.4% at the end of 2024-25). During 2025-26, it reached 3.5% driven primarily by services inflation, alongside more moderate positive contributions from core goods and food and drinks inflation.<br>• The two key indicators that HM Treasury uses to measure the strength and resilience of the UK banking system remained at a high level and similar to the previous year. | For more on:<br>• financial system regulation, stability and resilience, see pages 18–21 |

**Note**

1 RHDI measures the average amount of money each person has available to spend or save after taxes and benefits.

Source: National Audit Office analysis of HM Treasury Annual Report and Accounts 2025-26

# How HM Treasury is led and structured



The Permanent Secretary, James Bowler, leads HM Treasury. He is supported by two Second Permanent Secretaries. Jim O'Neill is responsible for oversight of policies to create sustainable growth across the UK. Beth Russell is responsible for oversight of tax and spending policy, regional growth and leadership of the Darlington Economic Campus.

HM Treasury's work is managed through seven Director General-led groups (**Figure 2**).

## Figure 2

HM Treasury's seven Director General-led groups

**These groups support HM Treasury's priorities**

| Economics and Fiscal | Enterprise and Growth Unit[3] | Financial Services | International |
|---|---|---|---|
| • Economics Group<br>• Fiscal Group | • Public Investment, Infrastructure, and Environment Directorate<br>• Growth, Transport and Innovation Directorate<br>• Business and Energy Directorate | • Financial Services Group<br>• Financial Stability Group | • Economic Crime and Sanctions<br>• International Economics<br>• International Finance |
| **National Infrastructure and Service Transformation Authority (NISTA)[2]** | **Public Spending** | **Tax and Welfare** | |
| • Strategy & Systems Change<br>• Market & Sector Engagement<br>• Portfolio & Delivery<br>• Project Finance | • Public Services Group<br>• Public Spending Group | • Business and International Tax Group<br>• Personal Tax, Welfare and Pensions Group<br>• Strategy, Planning and Budget Group (SPB) | |

**Notes**

1 Each of the seven groups is led by a Director General. These groups are supported by central functions that operate across all areas.

2 On 1 April 2025, The National Infrastructure Commission (NIC) and Infrastructure and Projects Authority (IPA) combined to become the National Infrastructure and Service Transformation Authority (NISTA).

3 In July 2026, the government explained in a machinery of government changes fact sheet that changes in responsibility for a number of policy functions including local economic growth policy would move from HM Treasury to No10 North.

Source: National Audit Office analysis of HM Treasury Annual Report and Accounts 2025-26

# About the HM Treasury Group



The HM Treasury Group is made up of the core department and its arm's length bodies (ALBs), which are a mixture of executive agencies, companies and other bodies (**Figure 3**).

HM Treasury also has policy responsibility for public corporations, non-ministerial departments and other bodies that are not part of the departmental group and not consolidated in the group accounts. These non-Group ALBs have their own governance and finances. At the time of publication, they were as follows:

## Public Corporations

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

## Non-ministerial departments

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

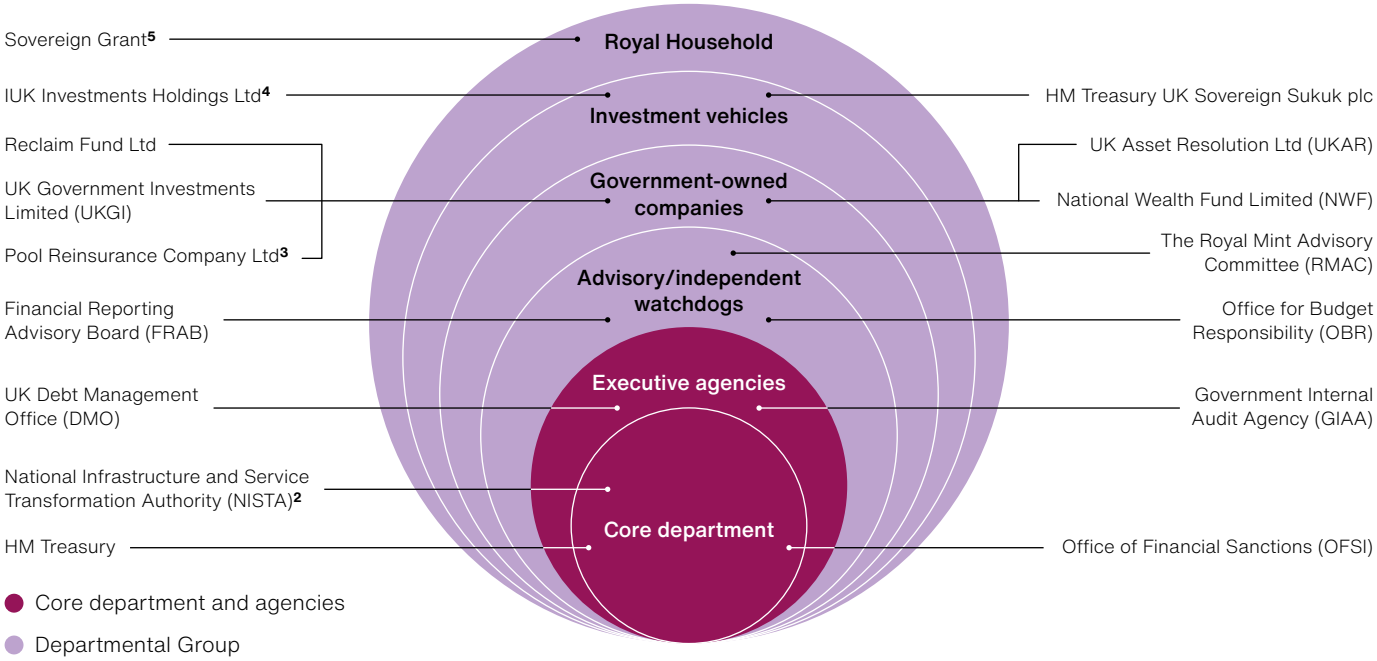
## Additional bodies:

- Public Sector Fraud Authority (In July 2026 the Public Sector Fraud Authority moved from the Cabinet Office to the Department for Work & Pensions (DWP) with continued central sponsorship from HM Treasury)

## Figure 3

Structure of the HM Treasury Group as at October 2026

**The HM Treasury Group includes executive agencies, non-departmental public bodies, companies and additional bodies**




**Notes**

1 The Office for Value for Money was a 'time limited' entity and was closed during 2025-26.

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 Including its subsidiaries Pool Re Services Ltd and Pool Re Solutions Ltd.

4 Including its subsidiary IUK Investments Ltd.

5 The Sovereign Grant was £86.3 million for the financial years 2021–2025. It increased to £132.1 million in 2025-26 and is £137.9 million for 2026-27.

Sources: National Audit Office analysis of HM Treasury Annual Report and Accounts 2025-26; NAO Investigation into residential property arrangements with members of the Royal family

# Where HM Treasury spends its money



## Spending and income in 2025-26

HM Treasury Group spent a total of £6,602 million in 2025-26. The core department spent £977 million and Treasury-owned companies, £5,411 million, with the remainder mainly the cost of running ALBs (**Figure 4**).

HM Treasury Group received income of £2,752 million in 2025-26 which is significantly lower than in 2024-25 (£8,745 million). The difference is largely attributable to the level of income from the government's sales of its shares in the NatWest Group. In 2025-26 it sold £1,398 million worth of shares, compared with £8,156 million in 2024-25.

Figure 4 and the numbers above exclude £28 billion in net expenditure via the Bank of England's Asset Purchasing facility (BEAPFF), to avoid obscuring the other elements of expenditure. The BEAPFF is a wholly owned subsidiary of the Bank of England that acts as the legal entity for transactions related to asset purchases (see page 20).

## Changes in spending

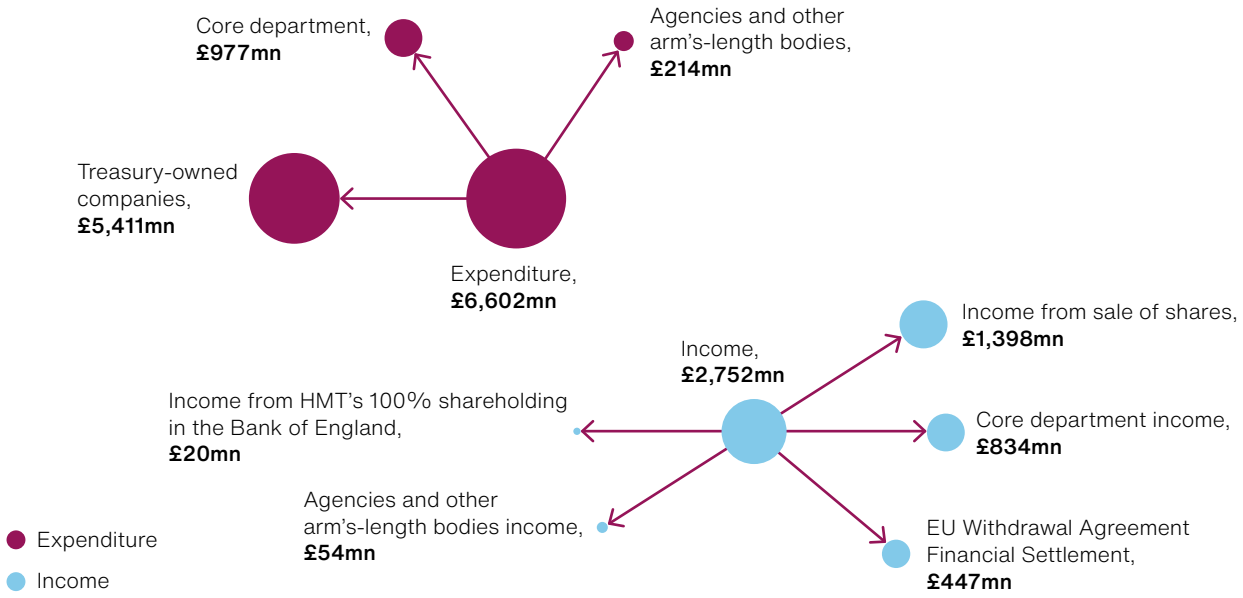
Group expenditure has increased significantly this year to £6,602 million (2024-25, £2,586 million). This is mainly driven by an increase in spending by Treasury-owned companies (£5,411 million net in 2025-26 compared with £1,404 million in 2024-25), particularly the National Wealth Fund's investments in Sizewell C. See page 16 for more on the National Wealth Fund.

The core department's increased spending (£977 million in 2025-26 versus £959 million in 2024-25) reflects factors such as operational costs associated with the Infrastructure and Projects Authority's transfer from Cabinet Office to HM Treasury to form the National Infrastructure and Service Transformation Authority.

## Figure 4

HM Treasury departmental group income and expenditure, 2025-26

**In 2025-26, HM Treasury spent £6,602 million and received income of £2,752 million**




**Notes**

1 This figure includes income and expenditure for the HM Treasury Departmental Group which includes the core Department and those bodies in Figure 3 on the previous page. Figures may not sum due to rounding.

2 The income and expenditure totals presented here are combined Resource and Capital totals for both the agreed 2025-26 Departmental Expenditure Limit (DEL) and Annually Managed Expenditure (AME). DEL is money set aside for planned, regular spending and covers things like running the department; AME is money for costs that are harder to predict or control, such as changes in the value of government assets.

3 The expenditure totals presented here are a mixture of gross and net. The Treasury-owned companies expenditure and elements of the agencies and other arm's-length bodies expenditure take into account income generated by these bodies in line with reporting through the estimates process.

4 'EU Withdrawal Financial Settlement income' of £447mn represents a decrease from 31 March 2025 to 31 March 2026 in HM Treasury's estimate of the UK's net liability to the European Union following the UK's exit from the EU, alongside capital income from the EU in respect of the UK's investment in the European investment bank.

Source: National Audit Office analysis of the Statement of Parliamentary Supply of the HM Treasury, Annual Reports and Accounts, 2025-26

# HM Treasury's financial management and reporting



## The Comptroller and Auditor-General's (C&AG's) audit opinion

HM Treasury published its Annual Report and Accounts 2025-26 before Parliament's summer recess, and the C&AG's audit opinion was unqualified. This means the financial statements give a true and fair view and were properly prepared, HM Treasury did not exceed its Parliamentary control totals, and it applied its income and expenditure to the purposes intended by Parliament.

## Key audit matters[1]

### National Wealth Fund (NWF)'s loan investments

NWF's loan investments increased from £1.5 billion to £6.8 billion as at 31 March 2026, of which £4.3 billion of amortised cost loans related to new Sizewell C facilities agreed during the year. NWF also had £34.1 billion of contractual commitments to issue loans after year end, of which £32.3 billion were related to Sizewell C and agreed during the year. Following adjustments to the financial statements, we were satisfied that all material issues relating to the valuation of the loans in the financial statements had been concluded.

### Loans to Ukraine

The UK has lent £2.26 billion to the Ukrainian government for the procurement of military equipment through the UK's Ministry of Defence. Loan repayments are being made from the profits of immobilised Russian sovereign assets. HM Treasury administers and accounts for the loan. During our audit we reviewed HM Treasury's estimate of the expected repayments which form the £452 million valuation of the loan asset included in its accounts.

### European Union (EU) financial settlement

HM Treasury has 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 £6.2 billion as of 31 March 2026 (£7.0 billion at 31 March 2025). As part of our 2025-26 audit, we evaluated and challenged HM Treasury's assessment of available information, including that provided by the EU, which it had used to update its estimate of the net liability to the EU.

### Debt instruments

Pool Re is a mutual reinsurance company which enables the insurance market to provide coverage for terrorism risk. HM Treasury provides it a backstop guarantee (known as retrocession cover). As a result, Pool Re's £5.6 billion fixed income securities portfolio is material to the HM Treasury Group audit. During 2025-26, the portfolio recorded £4.6 billion of sales and maturities and £4.7 billion of purchases, with transaction volumes significantly exceeding Group materiality. Based on our work, we were satisfied that the balances and transactions recognised in Pool Re's financial statements were not materially misstated.

### Insurance contracts

Changes to International Financial Reporting Standards (IFRS) required insurance contracts to be accounted for under IFRS 17. HM Treasury developed accounting policies and associated disclosures to comply with the new standard and report its impact. IFRS 17 applies to the Pool Re retrocession agreement and North Sea Oil Decommissioning Relief Deeds, for which HM Treasury has recognised an £829 million liability for future payments. Following management's adjustments, our audit concluded that all material issues had been resolved.

### Bank of England Asset Purchase Facility Fund (BEAPFF) derivative valuation

HM Treasury provides an indemnity to the BEAPFF over its functions as a holding vehicle for debt securities purchased under the quantitative easing programme (see page 20). Under this agreement, HM Treasury indemnifies the Bank for any losses, while accruing any gains.

The indemnity was valued as a £167.0 billion liability at 31 March 2026 (£171.9 billion at 31 March 2025). Our audit confirmed that HM Treasury had performed the calculations and processes underpinning the valuation appropriately and accurately.

1 Key audit matters are those that have the most significance in the audit and the greatest effect on the allocation of resources and the efforts of the audit team.

# HM Treasury's response to internal and external audit



## Internal audit and assurance

The annual internal audit opinion informs the Accounting Officer's annual Governance Statement. The head of internal audit for HM Treasury provided a 'Moderate' opinion for 2025-26, as in the previous four years. This means that, in general, core controls were in place and operating effectively, while there were opportunities to strengthen governance, documentation and consistency. HM Treasury says it has worked more closely with internal audit this year to ensure that higher risk areas are included in the audit programme.

Following findings from internal audit and the National Audit Office, HM Treasury's Board has worked to strengthen the Department's oversight of its ALBs (for a full list of ALBs see page 6), with particular focus on the consistency and quality of risk reporting and escalation. HM Treasury Board and its sub-committees are continuing to focus on sponsorship, assurance and reporting of ALBs in 2026-27 (see risk and resilience on page 15).

### NAO insight: National Savings and Investments' Business Transformation Programme

National Savings and Investments (NS&I) is a non-ministerial department over which HM Treasury has policy responsibility. In November 2025 we reported that NS&I had overestimated its ability to deliver a complex change programme which covered most of its operations, despite warning signs about its lack of skills and capability and the complexity of disentangling a highly integrated IT system. The Programme was not sufficiently thought through before key decisions were made, which led to significant cost and time increases. HM Treasury acknowledged that it could have moved sooner to improve the skill set of the NS&I Board and to support Programme planning and delivery. The Public Accounts Committee also reported on the Programme in February 2026.

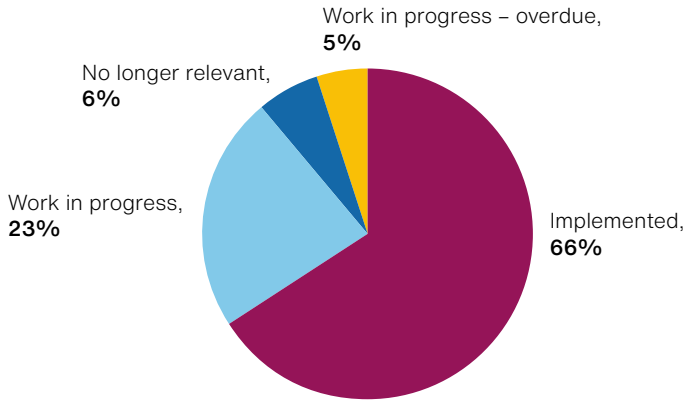
## HM Treasury progress against NAO recommendations

The NAO's recommendations tracker includes updates on recommendations we have made to HM Treasury since 2019. **Figure 5** shows that in September 2026 HM Treasury had implemented the majority of those recommendations for which it was responsible, although 5% were overdue.

### Figure 5

Status of National Audit Office recommendations to HM Treasury, September 2026

**HM Treasury had accepted 94% of NAO recommendations since 2019 and the majority were implemented or under way**




**Notes**

1 Includes 100 recommendations directed to HM Treasury in NAO reports published between 2 May 2019 and 19 June 2026.

2 The following reports have been excluded as HM Treasury has yet to respond to the recommendations: *Update on Government Shared Services* (March 2026) and *Northern Powerhouse Rail* (March 2026). In addition, one recommendation from *Managing the government's financial investments: the Financial Transaction Control Framework* (March 2026) has been excluded, as it remains under consideration.

3 This analysis excludes 51 recommendations for which HM Treasury is jointly responsible with another department.

Source: Adapted from National Audit Office published recommendations tracker September 2026

# Climate-related financial disclosures



**HM Treasury has introduced climate-related financial disclosure requirements into central government annual reports to align reporting with the private sector, because it considers climate-related information important for transparency and accountability.**

Government organisations with material climate-related risks were required to produce their first full set of disclosures in their 2025-26 annual reports. HM Treasury does not assess climate change as a standalone risk to its own operations; rather it recognises climate-related factors as cross-cutting drivers with the potential to influence a range of operational, strategic and external risks (**see risk and resilience on page 15**). However, in its annual report and accounts, HM Treasury sets out how it strengthened its approach to sustainability management in 2025-26. It focused on the following:

- **Strengthening climate resilience and adaptation capability.** This included a climate risk assessment, scenario analysis and adaptation planning.
- **Developing a Treasury group perspective**: Understanding sustainability impacts across Treasury Group, recognising that individual organisations remain responsible for their own reporting.
- **Supporting wider government sustainability objectives:** HM Treasury drew on climate and sustainability considerations to inform its work on the government's growth mission, the National Wealth Fund, the Clean Energy Superpower mission, and the development of the 10-Year Infrastructure Strategy. HM Treasury also contributes to the United Nations' Sustainable Development Goals including SDG 8: Decent Work and Economic Growth; SDG9: Industry Innovation and Infrastructure, and SDG 16: Peace, Justice and Strong Institutions.

**HM Treasury has responsibility for maintaining sustainable public finances and boosting economic growth, while supporting departments to deliver on the government's climate and environment targets.**

## NAO insight: implementation of climate-related reporting in central government annual reports

We found that HM Treasury's introduction of climate-related reporting had helped public bodies to increase senior engagement with climate-related issues and risks, strengthen their financial management and identify potential cost efficiencies. We have recommended that HM Treasury should agree a plan with clear roles that will continue to provide monitoring and support for high-quality climate-related reporting across government.

The Environmental Audit Committee is currently examining the role of HM Treasury in shaping the UK's response to climate change, nature loss and wider environmental sustainability. This inquiry will explore how HM Treasury influences the Government's approach to climate change, nature loss and environmental sustainability through economic policy, appraisal frameworks and funding decisions.

# Leading financial management and reporting in government



## The Government Finance Function

HM Treasury sponsors the Government Finance Function (GFF), a cross-government network of around 9,000 finance staff. It publishes finance functional standards, trains staff through the Government Finance Academy, shares good practice, and provides advice and support. It also tracks departments' financial performance (**Figure 6**). In 2025, the GFF set out a new strategy to strengthen capability, improve the use of data and insight, and make finance professionals more active partners in the delivery of public services.

We examined progress in June 2026 and concluded that, if delivered effectively, the strategy has the potential to support the step change in financial management that the government needs, and to strengthen the management of public money in support of better outcomes for the public. However, we said success would ultimately depend on the GFF overcoming barriers such as the poor quality of government cost data, and the lack of incentives for non-finance staff to prioritise good financial management.

The GFF has been a leader among the government functions in creating a single integrated reference model of all its process and data standards (known as NOVA) which supports shared guidance for central government and facilitates the move to shared services. The GFF published its data strategy for the finance function in July 2026. The GFF has also created the common chart of accounts, a standard format for accounting codes, to address the fragmented approach to recording transactions across government. However, progress with both NOVA and the common chart of accounts has been held back by a lack of readiness across government departments and other functions.

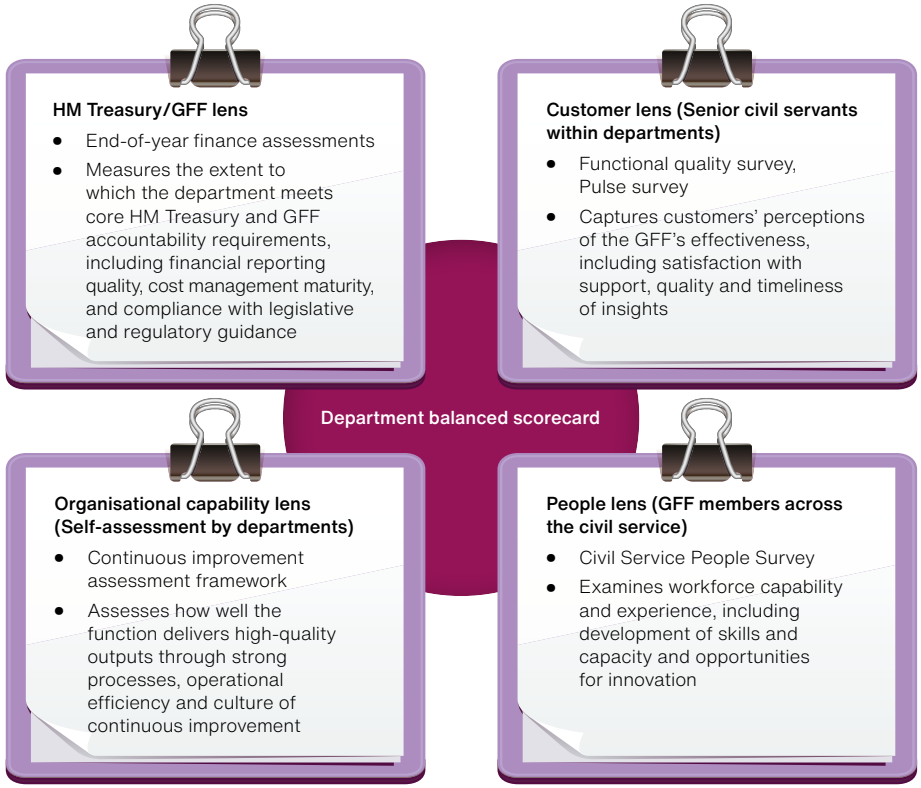
## The Whole of Government Accounts

In June 2026, HM Treasury published the 2024-25 Whole of Government Accounts (WGA). For a third consecutive year, the C&AG disclaimed his opinion on the WGA for reasons including a lack of audited accounts for English local authorities. The government is taking steps to address weaknesses in the local audit system, including establishing the Local Audit Office, which will set the Code of Audit Practice and monitor audit quality.

### Figure 6

Balanced scorecard used by the Government Finance Function (GFF) to measure departments' financial performance, 2026-27

**The balanced scorecard uses four lenses to track assurance, identify areas of risk and opportunity, and inform targeted investment across departments**




**Notes**

1 The weightings for each lens as of 2026-27 are: HM Treasury and GFF (40%), Customer (25%), Organisational capability (10%), and People (25%).

2 The Cabinet Office Functional Quality Survey has been paused. The GFF will now conduct its own customer satisfaction survey of senior civil servants in departments instead.

Source: National Audit Office, The Government Finance Function's strategy to 2030, June 2026

# Leading financial management and reporting in government *Continued*

## Reforms to public spending control and accountability

HM Treasury and the Cabinet Office have set out a new approach to public spending control and accountability. The aim is more proportionate controls and oversight from HM Treasury at the centre, a strengthened role for Accounting Officers as decision-makers and managers of government departments' budgets, and improved transparency and collaboration between HM Treasury and departments.

Referred to as **Project RESET**, these changes were developed by the Office for Value for Money (OVfM) working with others in HM Treasury, including NISTA, and across government. The details were set out alongside the Autumn Budget 2025 and include:

- higher delegated authority limits (DALs) on spending for most departments for 2026-27.
- some types of spending below DALs that previously required HM Treasury approval will be entirely delegated to departments, including endowments and special payments.
- departments will be expected to streamline their approval processes to make decision-making by Accounting Officers and ministers more efficient.

In 2026 all departments agreed new DALs and memoranda of understanding on ways of working with HM Treasury. Alongside these reforms, HM Treasury is building systems to track departments' finance and performance data in near-real time. HM Treasury also published a new version of its core guidance, Managing Public Money, to support the RESET changes. HM Treasury notes in its governance statement for 2025-26 that it has strengthened its own internal assurance to support HM Treasury Accounting Officers.

## Shifting to a focus on long-term value for money

In October 2024, before the current government's first budget, we had pointed to the need for a cultural shift by the government towards a focus on long-term value for money. We said the incentives and behaviours embedded across central government needed to change, and **set out eight lessons** for the government.

We recommended that HM Treasury and the Cabinet Office should create an action plan to rebalance behaviour and decision-making in government towards long-term value for money. The government accepted this recommendation and Project RESET and the changes to *Managing Public Money* are part of HM Treasury's approach to this challenge. The government intends that RESET will increase departmental accountability for spending and delivery, and place greater emphasis on long-term outcomes and risks.

The government also accepted our recommendation that it should provide Parliament with timely, complete and transparent information on government objectives, business planning, funding allocations, performance, spending, and outcome evaluations. In response, the government has:

- made all government evaluations publicly searchable in the Evaluation Registry; and
- begun publishing business cases for major projects to increase transparency.

The government has not yet published the departmental strategic outcomes and plans that were expected in spring 2026. No departmental strategic plans have been published since 2021.

# Leading productivity improvement: efficiencies and savings



## Spending Review 2025

At the Spending Review 2025 (SR25), the government committed to rebalancing public spending by improving efficiency in the civil service and providing services to the public for less money. SR25 marked the start of a revised spending framework in which HM Treasury has committed to holding spending reviews every two calendar years, with a minimum duration of three years of the five-year forecast period, and a continuous focus on technical efficiencies to improve medium-term planning. The approach to efficiency was developed and embedded with assistance from the Office for Value for Money (OVfM) which operated within HM Treasury between autumn 2024 and winter 2025.[2]

The OVfM agreed efficiency targets and delivery plans for all government departments which identified total annual efficiency gains of almost £14 billion by 2028-29, through a combination of improved outcomes and reduced costs. Most departments plan to deliver at least 3% efficiencies by 2028-29, measured against their 2025-26 day-to-day budgets. The largest gains were expected to come from digital, data and artificial intelligence (AI), with automation and online services making up a third of the total, along with policy and structural reforms.

## Thematic reviews

The OVfM also recommended a series of reviews across selected areas of government spending to focus on better outcomes and value for money. The aim is to build evidence and develop recommendations ahead of the next spending review. The reviews, led by the Chief Secretary to the Treasury, are focusing on:

- **models of care within the NHS and communities**, as part of implementing the 10 Year Health Plan, to help shape a system that delivers earlier intervention and preventative care where possible;
- **youth provision**, to better align with the ambitions of the National Youth Strategy and maximise the value and impact of out-of-classroom support for young people;
- **homelessness services**, to assess funding and delivery models, including ways to improve the supply of good value for money and good quality temporary accommodation and supported housing, such as greater coordination and planning in procurement between different parts of the state; and
- **maintenance of public assets**, to protect the value and function of the infrastructure, buildings and equipment that deliver public services.

## HM Treasury's role and oversight

Government departments are expected to report quarterly to HM Treasury on both efficiencies delivered and progress with ongoing efficiencies. HM Treasury has published departmental efficiency and savings performance for 2025-26. From 2026-27, HM Treasury expects large departments to report on their efficiency performance against targets in their annual report and accounts.

In addition, HM Treasury now requires departments to assess the risk and potential impact of fraud for major new spending proposals. Initial Fraud Impact Assessments aim to support better decisions and save money by identifying fraud risks, designing out fraud risk where possible and designing in appropriate counter-fraud activity before funding is approved.



2 Having fulfilled its remit, the OVfM has now closed and HM Treasury is implementing its reforms.

# HM Treasury's progress in making efficiencies



**Under the Government Efficiency Framework, HM Treasury itself has committed to delivering at least 3% efficiencies (£13 million) by 2028-29. It will begin reporting publicly on progress in 2027 in its annual report and accounts.**

The areas HM Treasury is targeting for efficiencies and savings in its own operations are as follows:

- **AI and automation** - embedding AI into the department's work across policy roles and using it to deliver effective operational transformation.
- **Bearing down on non-pay related spend** – including estates, legal and technology spend, ensuring HMT embeds a cost-conscious culture. HM Treasury's strategy involves hybrid working to ensure more efficient use of its space and redistributing roles and decision-making beyond London. This includes the development of the Darlington Economic Campus.
- **Workforce transformation programme** – includes recruitment controls, reorganisation, redeployment and a Voluntary Exit Scheme.
- **Improvement actions in its ALBs** – including from consolidating shared services, and other technology and workforce changes.

## NAO insights on the challenges to achieving efficiencies in government

A lack of reliable and usable cost information about government services makes it harder to identify opportunities for improvement, drive efficiency and realise meaningful cost savings. Following our September 2025 report, *Improving government's productivity through better cost information*, in August 2026, HM Treasury and the Government Finance Function published a practical guide to service costing in government.

Our June 2026 report, *The Government Finance Function's strategy to 2030*, highlighted that the finance function's progress in unlocking efficiency savings through standardising back-office processes and data is being held back by other government functions' lack of readiness and different rates of adoption by departments.

The government needs to ensure its overall programme for AI adoption is ambitious and supported by a realistic plan for the skills, funding and wider enablers needed. We have emphasised that AI is a growing risk area that audit and risk committees need to be aware of. In May 2026, our *Good practice guide for organisations using AI* highlighted that, while AI can deliver huge benefits and increase efficiency, substantial savings are not yet borne out in government or commercial organisations. In one example, the Government Finance Function is working to identify suitable data sources to understand the time spent on finance-related tasks within departments, so that it can understand how to target AI and automation to improve efficiency.

Our Government workforce planning – lessons learned report (July 2026) discusses how effective workforce planning supports more productive, resilient and affordable public services. It highlights how government workforces are being reshaped by AI and digital technologies, and how departments need to respond – for example, by identifying future skills needed to unlock improved productivity. This report is supported by our Government workforce planning audit framework, which provides practical guidance for departments on conducting workforce planning. Our related good practice guidance on Government exits and redundancies (September 2025) sets out challenges that departments must address when making staff reductions. These include protecting organisational capability to deliver, retaining high performers and skilled staff, and ensuring staff reductions (and associated cost savings) are sustainable.

# Risk and resilience



## HM Treasury and risk management

As both economics and finance ministry, HM Treasury operates in a complex and dynamic risk environment. It is exposed to both macroeconomic and operational risks, many of which are driven by external factors beyond its direct control, though not beyond its influence. It also faces organisational risks as a central government department and employer. HM Treasury must balance short-term operational demands with long-term preparedness, at both a national government and an organisational level.

### NAO insight: managing risks in government

In our good practice guide, *Overcoming challenges to managing risks in government*, we highlighted the ongoing work of the government's Risk Centre of Excellence (CoE) to bring together, support, and professionalise government's risk management community.

The Risk CoE is part of the Government Finance Function (within HM Treasury) and works to improve risk management across government. It acts as the government's central source of risk management guidance, tools, standards and professional development, supporting departments across government.

## HM Treasury's principal risks

In its 2025-26 Annual Report and Accounts, HM Treasury reported that the principal *strategic* risks to its objectives related to:[3]

- delivery of the growth strategy;
- fiscal sustainability;
- macroeconomic stability;
- cost of living/inflation;
- international outlook (conflict, energy and trade);
- cyber/malicious attack on UK financial Critical National Infrastructure (CNI); and
- technological failure of UK financial CNI.[4]

## HM Treasury's approach to risk management

Under HM Treasury's risk management framework, Directors, specialist Risk Groups, the Operating and People Committees and Executive Management Board are responsible for monitoring, challenging and reporting on performance against risks and objectives.

In 2025-26, the HM Treasury Board identified that the key *organisational* risks to the delivery of HM Treasury's objectives and the protection of the department's integrity and reputation were: technology resilience and information security; whistleblowing, ALB oversight; and the workforce.

HM Treasury has used the Risk CoE to build its own internal risk professionalism and upskill its people. In 2025-26, it introduced an improvement plan to further strengthen its framework of governance, risk management and control.

### What to look out for

We will report in late 2026 on risk management in government: improving capability and decision-making. We will consider:

- how well government bodies set clear roles, accountability and leadership for managing risks, while promoting a positive risk culture;
- whether risk professionals have the skills, capacity and authority to provide objective advice and constructive challenge; and
- whether risk management is genuinely enabling risk-based decisions and delivering better outcomes.

3 HM Treasury does not assess climate change as a standalone risk to its own operations (see page 10).
4 See, for example the work of the Bank of England in renewing the Real Time Gross Settlement system on page 20.

# HM Treasury measures to boost growth



**HM Treasury says that sustainable economic growth is at the heart of everything it is trying to achieve. In 2024, HM Treasury established a Growth Delivery Unit to oversee the government's growth priorities. In July 2026 the government announced that policy responsibility for local economic growth would move from HM Treasury to No 10 North, which would continue to work with HM Treasury and the Ministry of Housing, Communities & Local Government.**

HM Treasury assesses the risk of uncertainty and volatility in global markets and among international investors as having the greatest potential impact on growth. Below are some of the ways it aims to boost economic growth.

## Investment

The National Wealth Fund (NWF), formerly the UK Infrastructure Bank, aims to boost growth by investing in a range of capital-intensive projects, businesses and assets. HM Treasury reported that the NWF had closed £5.8 billion in deals as of March 2026, mobilising over £6.6 billion in private capital and directly supporting more than 19,200 jobs.

The NWF published a Five Year Strategic Plan in January 2026, identifying 25 sectors where it expects to be active, including the power grid, battery manufacturing and Electric Vehicle supply chains, nuclear and transport infrastructure. The government allocated a further £15.4 billion in capital to the NWF at the October 2026 Budget.

## Stronger regional economies

The government views stronger regional economies as central to raising productivity, improving connectivity and spreading opportunity. HM Treasury has set out the government's support for increased investment outside the south east of England through:

- £15.6 billion of Transport for City Regions;
- new City Investment Funds providing £2.3 billion of grant, loan and patient capital funding; and
- up to £1.7 billion flowing directly to mayors in the North to support city centre housing, regeneration and transport led growth.

The October 2026 Budget announced further regional investments. The government has also published a fiscal devolution roadmap for England, which sets out its plans to give regional leaders control of how they allocate a share of some national taxes. By giving local leaders greater certainty, flexibility and tools to act, the government aims to raise regional productivity and ensure that growth is broader, more resilient and more sustainable.

### NAO insight: devolution, local scrutiny and accountability

In our July 2026 report on *Devolution in England* we said that strengthened local scrutiny arrangements will be vital in supporting effective local accountability as mayoral strategic authorities take on greater funding and accountability.

## Infrastructure

In April 2025, the government created the National Infrastructure and Service Transformation Authority (NISTA), with the aim of ensuring that its 10-year strategy for infrastructure delivers the growth and opportunity the country needs. NISTA reports to both HM Treasury and the Cabinet Office to bring strategic and spending decisions closer together. It oversees the Government Major Projects Portfolio, as well as the published Infrastructure Pipeline and Strategy. The Pipeline and Strategy allow stakeholders to understand what infrastructure investment is happening and where. NISTA is responsible for implementing recommendations in the government's 10-year infrastructure strategy which is supported by £725 billion of funding.

HM Treasury is responsible for the Green Book, which sets out how to appraise projects. It updated the Green Book in 2026 to ensure that spending decisions consider the full range of impacts of different investment options to achieve higher and more balanced growth across the whole of the UK. And in September 2026 the Chancellor announced that the discount rate for appraising projects under the Green Book would reduce from 3.5% to 3%, which would have the effect of making projects with longer-term benefits more likely to meet the threshold for funding.

# Fiscal sustainability and the Financial Transaction Control Framework



## Fiscal strategy

**Fiscal sustainability – the risk that government debt and borrowing levels may no longer be affordable, is one of HM Treasury's key risks**.

The government's current strategy for managing the country's finances is set out in the most recent version of the Charter for Budget Responsibility. The Charter, a requirement of the Budget Responsibility and National Audit Act 2011, covers:

- The government's fiscal policy framework including HM Treasury's role, objectives, principles and mandate for managing fiscal policy; and
- The role of the Office for Budget Responsibility and the duties it is required to perform within the fiscal policy framework.

### HM Treasury's role

HM Treasury's mandate is based on the three fiscal rules focused on supporting long-term economic growth and maintaining stable public finances:

1. **Stability rule:** The current budget to be on course for balance or surplus by 2029-30.
2. **Investment rule:** Net financial debt to fall as a share of the economy in 2029-30.[5]
3. **Welfare cap:** Some types of welfare spend to remain below a specified level.

### The Office for Budget Responsibility (OBR)'s role

The OBR analyses and comments on fiscal sustainability with reference to a set of metrics and scenarios. In October 2026 the OBR reported that the government's margins against its fiscal targets were very small compared to the inherent risk and uncertainty around any medium-term fiscal forecast.

## The Financial Transaction Control Framework

HM Treasury lists maintaining a high level of public investment as a key part of its approach to fiscal sustainability. In 2024, HM Treasury published a Financial Transaction Control Framework to "support the government to invest responsibly". The government's 2024 move to a new measure of debt removed a disincentive to make financial investments inherent in the previous fiscal rules. To balance that with improved assurance over the government's investments, the new Framework set out rules for approving, managing and reporting on financial transactions (FTs).

Previously, the government did not have a full view of its existing financial investments, which limited its oversight of financial risks and its ability to make informed decisions. The second annual Financial Investment Report published by UK Government Investments (UKGI) in October 2026 set out the government portfolio's value of £51.9 billion (as of 31 March 2026), and analysis of its risks and returns.

### Public Financial Institutions

The Framework introduced the concept of "public financial institutions" with the expertise, structures and risk management capability to set up and manage FTs for government. The designated public financial institutions are: British International Investment, British Business Bank, UK Export Finance, National Housing Bank, Student Loans Company and the National Wealth Fund. According to Budget 2026, the government plans to increase its use of FTs further and spend around £65.1 billion between 2026-27 and 2031-32, including on offshore wind and housing (excluding student loans).

### NAO insight: managing the government's financial investments

In our March 2026 report we found the Framework had increased transparency over the government's investments, though there was more to do and HM Treasury was playing a limited role in overseeing compliance with the Framework's principles. We made recommendations to help maximise the Framework's benefits and protect the value for money of taxpayer-funded investment.

5 Net financial debt, also known as public sector net financial liabilities (PSNFL), is the government's revised measure of debt since 2024. This change recognises the value of assets created by financial transactions. This reform to the fiscal framework allows for higher capital spending, hence incentivising departments to expand the use of financial transactions to deliver policies.

# Stability and growth: Financial system regulation



**HM Treasury considers that effective financial system regulation is key for macro-economic stability and creating conditions for sustainable economic growth.**

HM Treasury is responsible for maintaining and reforming the overall regulatory framework and works with a range of regulatory and oversight bodies to safeguard and address risks to the UK's financial system (**Figure 7** on page 19). For example, in February 2026, Parliament enacted legislation to bring cryptoassets into the regulatory remit of the Financial Conduct Authority (FCA). The new cryptoasset regime is expected to come into force in October 2027. For more on how HM Treasury works with the independent Bank of England, see page 20.

## Regulation and growth

In March 2025 HM Treasury published its 'New approach to ensure regulators and regulation support growth' (the 'Action Plan'). The Action Plan outlined a strategy to encourage regulators and regulation (including financial regulation)[6] to support innovation and economic growth, and a commitment to cut the administrative burden on business by 25% by the end of the Parliament. The Action Plan was clear that when regulation is designed and implemented well, it can be a tool to promote growth and investment. Conversely, if poorly designed or implemented, regulation can stifle productivity, investment and growth. The Action Plan set a clear expectation that policy makers and regulators must support growth and innovation and become less risk-averse. In Budget 2026, the government announced it was establishing a new Better Regulation Executive ,a joint unit between HM Treasury and the Office of the Prime Minister and Cabinet, to lead on the government's vision for a streamlined and proportionate regulatory system.

### NAO insight: regulation and supporting growth

In *Regulating for growth* (January 2026), we found evidence that regulators were implementing changes in response to the Growth Duty and the Action Plan.

We noted that the government expects regulators to implement regulation in line with their sponsor department's strategic steer and risk appetite. We found that although HM Treasury's Action Plan intends to make regulators less risk averse, HM Treasury and the then Department for Business and Trade (DBT) had not asked departments to articulate their risk appetites for regulators.

We recommended HM Treasury and DBT articulate how regulation can support growth and manage risk simultaneously, acknowledging the trade-offs regulators face. This would help secretaries of state and select committees hold regulators to account for both the delivery of commitments and their contributions to the growth agenda.

Some regulators had made progress on articulating how they make trade-offs. For example, the Financial Conduct Authority had developed its own framework to articulate how its work contributes to the Secondary International Competitiveness and Growth objective alongside its primary duties.

HM Treasury had set up a joint unit with DBT to drive the regulatory action plan. But we found that nearly a year after the action plan, HM Treasury and DBT had not yet established a regular reporting cycle to maintain momentum, monitor outcomes and identify risks.

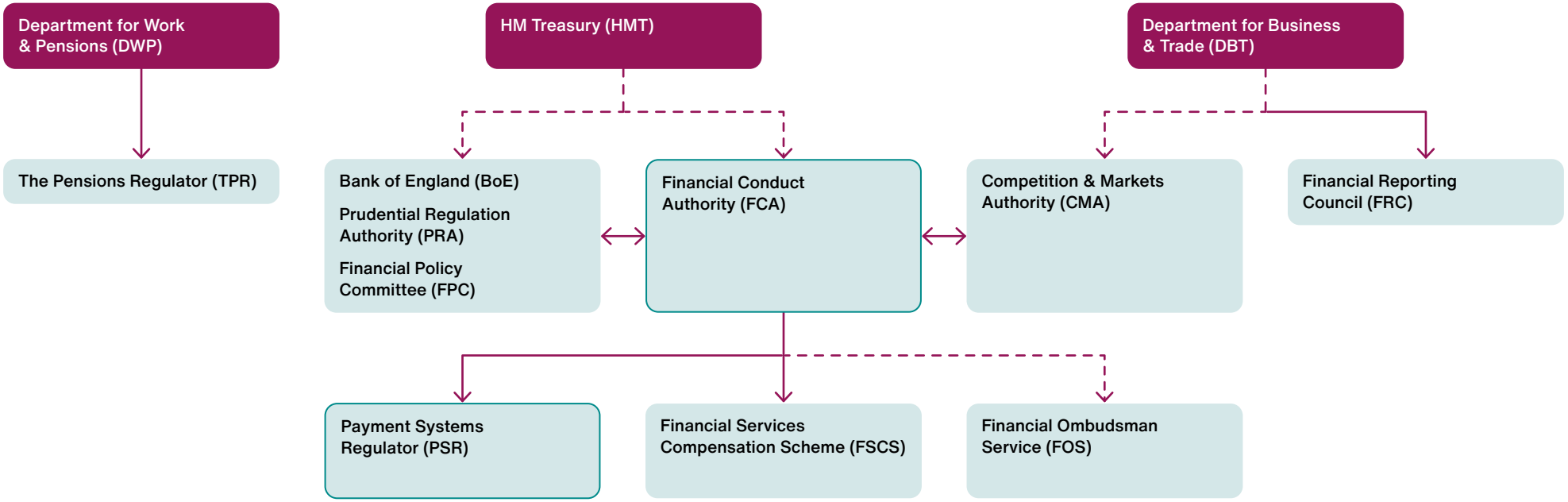
6 The Financial Conduct Authority and Prudential Regulation Authority are not in scope of the Growth Duty, but have a secondary competitiveness and growth objective set out in the Financial Services and Markets Act.

# Stability and growth: Financial system regulation *Continued*

## Figure 7

Regulators and other government bodies involved in the wider financial services regulatory regime, as of October 2026

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




**Notes**

1 This graphic reflects the position at 1 November 2026.

2 The Prime Minister announced in March 2025 that the Payment Systems Regulator (PSR) will be merged into the Financial Conduct Authority (FCA) as part of a broader approach to simplifying the financial services regulatory regime. The timetable for the merger is currently uncertain although the Financial Services and Markets Bill, which contains measures directly relevant to the merging of the FCA and PSR is expected to receive Royal Assent in 2027.

Source: National Audit Office analysis of framework agreements between HM Treasury and relevant regulators and departments

# Stability and resilience: Role of the Bank of England



**The Bank of England (the Bank) is operationally independent of HM Treasury, with specific statutory responsibilities for setting monetary policy (for example, setting interest rates) and enhancing financial stability. It is part of the financial regulation regime and also responsible for a key part of the UK's critical national infrastructure (see NAO insight below).**

The government set the Bank of England an inflation target of 2%. Inflation stood at 3.3% at the end of 2025-26, up from 2.4% at the end of 2024-25, driven primarily by services inflation. In October 2026, the OBR expected raised energy prices to keep inflation above the 2% target in 2026 and 2027.

### NAO insight: The Bank of England's Real-Time Gross Settlement System Renewal Programme (RTGS)

In December 2025 we reported on the Bank's programme to renew this key part of the UK financial system's critical national infrastructure. The Bank placed a high priority on the RTGS renewal programme combined with a low tolerance for failure, investing up-front effort in careful planning, design and procurement of the system. The Bank successfully launched the new RTGS in April 2025, at a cost of £431 million.

We concluded the programme demonstrated good practice and innovation, which could be instructive for other digital projects as well as for the Bank's wider project management. The new system secures the benefits anticipated for its launch and moves to a new technology better able to support future innovation. The Bank is progressing some improvements in the next two to three years and is considering priorities over the longer term.

## 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. The 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 (QE)** to provide monetary stimulus if projected inflation falls below the Bank's target (**Figure 8** on page 21).

**Quantitative tightening (QT)** is the process of 'unwinding' quantitative easing (Figure 8 on page 21). QT occurs when assets purchased during QE mature or are sold back into the market and the proceeds used to reduce the Bank's reserves which were originally created to buy them.

HM Treasury ultimately bears the cost of QE and QT through an indemnity. The gains and losses are highly sensitive to changes in Bank Rate (the interest rate the Bank pays on deposits placed with them overnight by eligible firms such as commercial banks) relative to the interest the Bank earns on QE purchased gilts. These movements affect public spending and fiscal forecasts. Since 2015-16 onwards the BEAPFF has been the largest item on HM Treasury's balance sheet. At 31 March 2026, it was valued as a £167.0 billion liability.

# Stability and resilience: Role of the Bank of England *Continued*

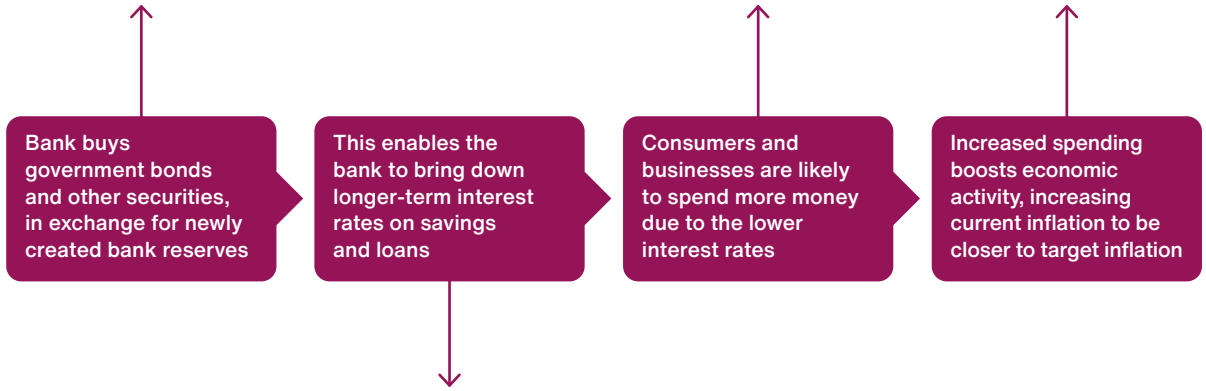
## Figure 8

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**

**Quantitative easing (QE)**

Quantitative easing is a form of unconventional monetary policy used by banks to stimulate the economy to meet an inflation target. This is primarily achieved by increasing the size of a central bank balance sheet through asset purchases and adjusting the bank rate. This lowers longer-term interest rates and encourages spending on goods and services, boosting economic activity.




**Quantitative tightening (QT)**

The process of 'unwinding' QE is sometimes called 'quantitative tightening'. However, unlike QE – which is used to reduce interest rates – the Bank's objective for QT is to manage its balance sheet to give it greater future flexibility.

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

# 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 enable 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 has been produced to provide an overview of the NAO's examination of the spending and performance of HM Treasury (HMT).

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

This report updates our previous report, An Overview of HM Treasury 2024-25 published on 16 October 2025.

## 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, including the annual report and accounts of HMT and its partner organisations. In some cases, to provide the most up-to-date information, we have drawn on information from publicly available 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.