



HM Treasury

## **Institutional governance between the centre and sectoral bodies, experience from the UK**

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*Spending Review Seminar, 2 September, 2025*

# Contents

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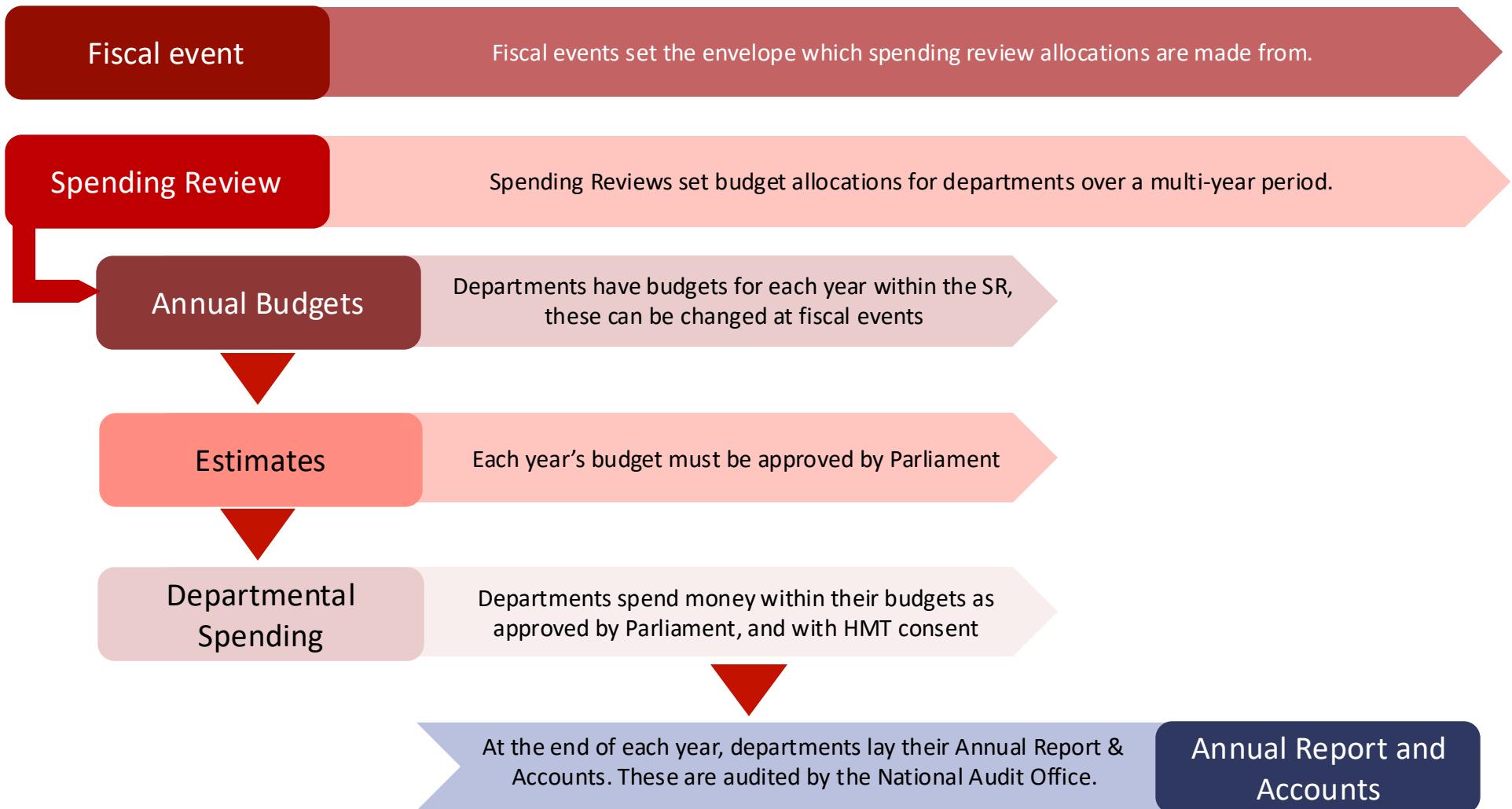
1. UK governance and the fiscal cycle
2. How we run spending reviews
3. Experience from Spending Review 25 (SR25) and lessons learnt

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# Annual spending cycle and accountability to parliament for spending of SR settlements



# There are some key features of UK government that influence why we run the process in the way we do

	These key features of UK government ...	In practise mean ...
	<u>Centralisation</u> : Government is relatively centralised (though with increasing movements towards greater regional devolution)	Decisions on budgets are taken at a central rather than local level (though a new set of devolution deals are changing this).
	<u>Governance and decision making</u> : The work of government is overseen by the 'Cabinet', chaired by the Prime Minister. Cabinet is the senior decision-making body in government and arbiter of government policy.	Whilst negotiations are generally bilateral, HMT ministers do a lot of engagement with their Cabinet counterparts to set the context and help them understand the key trade-offs. During SR25, there were several Cabinet 'away days' and discussions.
	<u>Fiscal policy</u> : The exception is tax policy – which is owned by the Chancellor, though she works closely with the PM. The decision on the spending 'envelope' is also made by the Chancellor and PM, with little to no Cabinet involvement.	The wider Cabinet have little say over the overall quantum of government spending. They are more involved in decisions on allocations of that funding.
	<u>Public spending</u> : All public spending in the UK needs to be agreed by Parliament, at the beginning and end of the relevant financial year. Though in practise, there is an established convention Parliament expects the Treasury to control matters of finance and public expenditure on its behalf.	There is relatively little direct Parliamentary scrutiny of overall spending plans. Instead, legislators tend to engage with individual policies (either via legislation or select committee).
	<u>The regulator</u> : The government has an independent fiscal watchdog (Office for Budget Responsibility), which produces economic and fiscal forecasts twice a year. Whilst the Treasury sets DEL totals, the OBR is responsible for the AME forecast.	The levers that the government has to control AME are much blunter than for DEL.



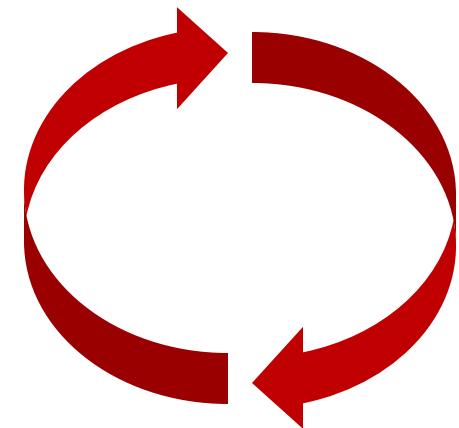
Legislation means that the UK has a relatively stable fiscal cycle. Where the SR sits in that cycle varies depending on ministerial objectives.

- The Chancellor has committed an intention to move to one major single fiscal event a year.
- The Charter for Budget Responsibility dictates that the UK government should present two OBR forecasts and at least one Budget to Parliament each year.
- This year, we delivered a Spring Statement (a forecast with some small announcements), and we will deliver a full Budget this autumn.
- The Chancellor has committed to running spending reviews every two years, covering three years of the forecast period.
- An SR can be carried out alongside a forecast or fiscal event (Phase 1 of SR25) or as a standalone (Phase 2 of SR25).

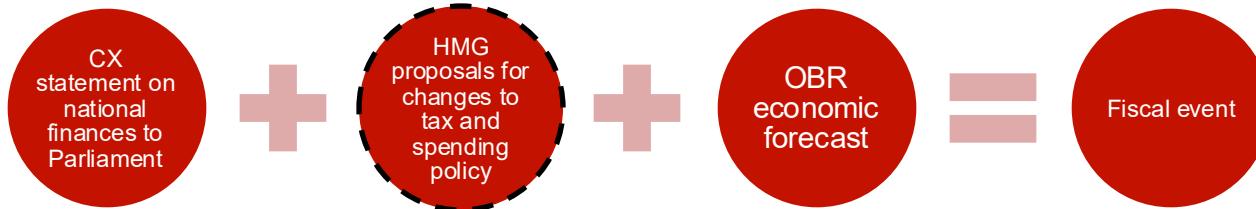
Expected steady state model

Autumn Budget (Nov)

SR (late spring)



Spring forecast (March)



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# The model for senior political governance is reasonably long standing



*Agree priorities and high level objectives for the review...*

*...published in the...*

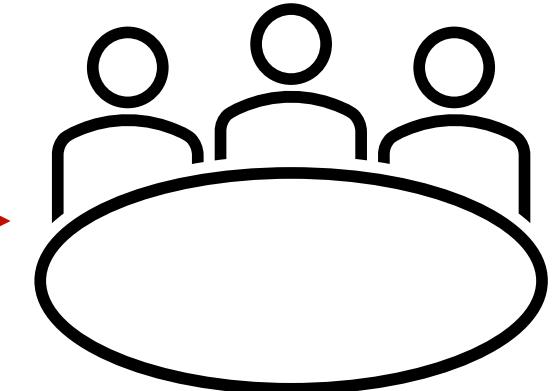


*... setting the negotiating mandate for...*



Darren Jones, Chief Secretary to the Treasury

*... who negotiates final settlements with..*



Secretaries of State = UK Cabinet

# We have experimented with different official-level governance models at various stages. The SR25 model worked well

## Ministerial forums:

- PM-CX bilaterals (weekly)
- CX spending meetings (initially weekly, moving up to daily during the 'end game')
- CST spending meetings (initially weekly, ahead of the CX meeting)

## Wider political engagement

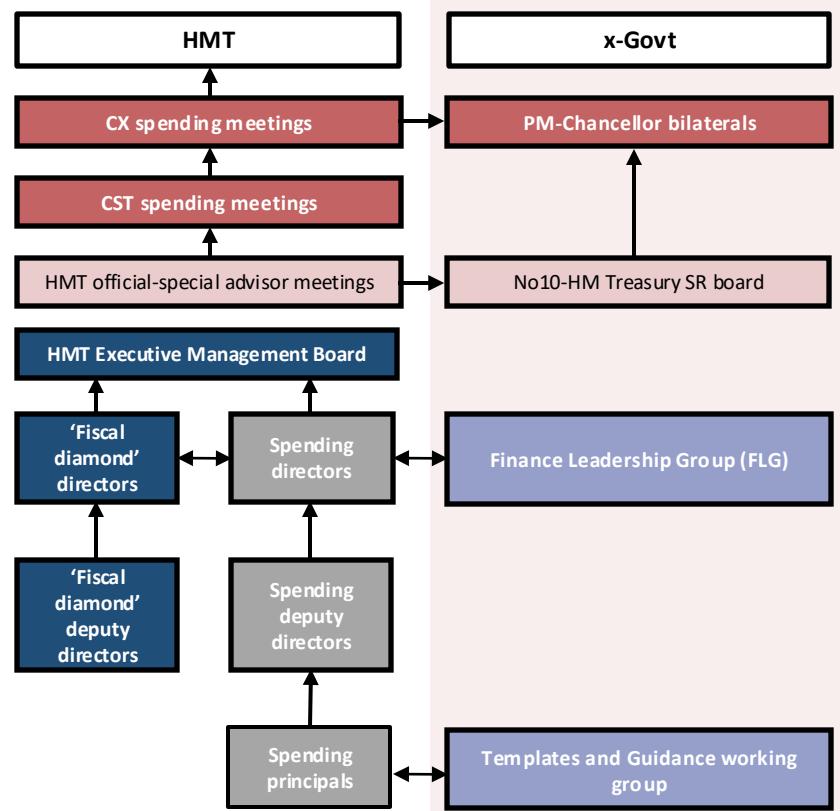
- Official-special advisor SR meetings (weekly throughout the process, moving to twice weekly in the 'end game')
- No10-HM Treasury SR board (ad hoc, moving to twice weekly in the 'end game')

## HMT forums:

- **HMT Executive Management Board**: made up of the most senior civil servants in the Treasury. Used as a forum to test SR policy or problems with a wider group and ensure decisions are being taken with an eye to wider objectives (e.g. tax, borrowing).
- **'Fiscal diamond' directors**: semi-regular meetings to discuss cross-cutting policy and interactions across the 'diamond' (tax, spend, fiscal and economy)
- **Spending Directors/Spending Deputy Directors** weekly forum for senior civil servants (SCS) in spending teams to discuss spending issues, spending-related policy work and SR negotiations.
- **Spending Principals** fortnightly forum for junior civil servants in spending teams, mirroring Spending Directors/Spending Deputy Directors

## Cross-Govt forums

- Finance Leadership Group: monthly forum for Finance Directors to meet and discuss issues. HMT often used this meeting to 'pitchroll' SR messages and outcomes, test proposals etc.
- Templates and guidance working group: ad hoc forum to test the core SR commission with x-government working level colleagues



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# The operating model evolved through the SR25 process

	Phase 1: agreeing the strategy	Phase 2: launch to returns	Phase 3: negotiations	Phase 4: settlement and announcement	Phase 5: implementation
Ministerial forums	<ul style="list-style-type: none"> <li>PM-CX bilat to agree key objectives for the exercise</li> <li>Cabinet 'away day' on the key SR trade-offs</li> <li>Weekly CX SR meetings</li> </ul>	<ul style="list-style-type: none"> <li>Discussion at Cabinet alongside SR launch</li> <li>CST updates at Cabinet PM-CX bilat ahead of final returns</li> <li>Weekly CX SR meetings</li> </ul>	<ul style="list-style-type: none"> <li>PM-CX bilats on allocations &amp; Cabinet handling</li> <li>CST-SoS bilaterals</li> <li>Weekly CX SR meetings (daily in the end game)</li> </ul>	<ul style="list-style-type: none"> <li>Cabinet write round on new announcements ahead of the SR</li> <li>Cabinet discussion the morning of the SR</li> </ul>	<ul style="list-style-type: none"> <li>SoSs held to account for delivery via PM-chaired boards</li> <li>CST bilaterals with SoSs to discuss financial risks and mitigations</li> </ul>
Wider political engagement	<ul style="list-style-type: none"> <li>HMT official-spad engagement to discuss agenda and products for PM-CX bilat</li> </ul>	<ul style="list-style-type: none"> <li>Fortnightly HMT official-spad meetings on SR progress</li> <li>Ad hoc SR boards in the run up to PM-CX bilats</li> </ul>	<ul style="list-style-type: none"> <li>Weekly HMT official-spad meetings, focussed on policy and settling depts</li> <li>Fortnightly SR boards</li> </ul>	<ul style="list-style-type: none"> <li>Weekly HMT official-spad meetings, focussed on presentation</li> <li>Weekly SR boards</li> </ul>	<ul style="list-style-type: none"> <li>One-off HMT official-spad meetings to discuss lessons learnt</li> </ul>
HMT forums	<ul style="list-style-type: none"> <li>Engagement with EMB to discuss SR objectives and strategy</li> <li>Weekly SD/SDD forums</li> <li>Fortnightly Spending Principals</li> </ul>	<ul style="list-style-type: none"> <li>Weekly SD/SDD forums</li> <li>Fortnightly Spending Principals</li> </ul>	<ul style="list-style-type: none"> <li>Daily SD forums (end game)</li> <li>Weekly SDD forums</li> <li>Fortnightly Spending Principals</li> <li>Bi-weekly SR stand ups</li> </ul>	<ul style="list-style-type: none"> <li>Daily SD forums (end game)</li> <li>Weekly SDD forums</li> <li>Fortnightly Spending Principals</li> <li>Bi-weekly 'SR stand ups'</li> </ul>	<ul style="list-style-type: none"> <li>Weekly SD/SDD forums</li> <li>Fortnightly Spending Principals</li> <li>Additional sessions to discussion 'lessons learnt'</li> </ul>
Cross-govt forums	<ul style="list-style-type: none"> <li>Monthly FLGs</li> <li>Extra FLG meeting to coincide w/ Cabinet 'SR away day'</li> <li>Engagement w/ working group ahead of launch</li> </ul>	<ul style="list-style-type: none"> <li>Monthly FLGs</li> <li>Extra FLG alongside SR launch and SR returns</li> </ul>	<ul style="list-style-type: none"> <li>Monthly FLGs</li> <li>Additional 'small group' meetings to test temperature</li> </ul>	<ul style="list-style-type: none"> <li>Monthly FLGs</li> <li>Additional 'small group' meetings to test temperature</li> </ul>	<ul style="list-style-type: none"> <li>Monthly FLGs</li> <li>Additional sessions to discussion 'lessons learnt'</li> </ul>



# Lessons learnt from SR25: what worked and what didn't

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1. Spending Reviews are behemoths. Having clear priorities set up front is invaluable in helping focus decision making on what really matters. Having x-government political buy-in to these priorities is crucial. Ideally they would be public.
2. It is our job as officials to ensure that decision making is happening at the right level, and our political principals have clarity on the specific decisions and trade-offs. Reducing complexity is vital.
3. What works in terms of governance may evolve over time (both within a given spending review and across spending reviews) to reflect the preferences of principals, the political context etc – don't be too rigid. That said, having a clear and agreed model at the start is helpful, even if you end up deviating from it.
4. External milestones are helpful in holding both officials and politicians to account for delivery of the spending review.

