



Government finances



“ You have a direct departmental responsibility for the budget. So the budget is your problem... and you have to answer to that in parliament as well, and [for] the efficiency of the service. ”

Dominic Grieve
Attorney general (2010–14)

Spending is one of the most direct levers the government can use to achieve its priorities, but it requires careful management by ministers. The most effective ministers are those who can achieve their key priorities within budget, ensuring value for money for the taxpayer.

1. Ask your departmental finance team about your budget

Understanding the structure of your budget is key. Civil servants will have prepared a briefing for you upon your appointment, but do not be afraid to ask questions. For example, is your budget dominated by spending programmes that the government has significant control over and for which budgets are fixed in advance (departmental expenditure limits) or by pots of money, like the budget for state pensions, which fluctuate depending on demand (annually managed expenditure)? Is your budget primarily made up of day-to-day spending like workers' wages (resource spending) or long-term spending like buildings and machinery (capital spending)?

Departmental budgets are usually fixed several years in advance, so don't expect to be able to make changes straight away. Knowing how your budget is structured is important, however, so that you can prepare for a spending review and decide your priorities for the coming years.



So I was faced with making decisions on things and places I had never heard of, and had absolutely no understanding of the arcane public accounting concepts that they used: DEL and RDEL and CDEL. They trip off the tongue now.



Vince Cable, business secretary (2010–14)

2. Construct a framework within which to manage your budget

Different departments offer differing levels of financial oversight to their ministers. In many departments, ministers may be expected to make large spending commitments quickly, without all the details they might want to see. Ministers should not expect to have the time to approve every item of departmental expenditure, but they should establish clear standards for spending decisions and clear mechanisms for oversight.

For example, core to the success of DfID before its merger with FCO was a rigorous process of financial oversight. Former secretary of state Andrew Mitchell has described how he overhauled the department's bidding process, with funding granted to external suppliers on the promise of measurable outcomes, like getting an additional 10,000 girls into school in Ethiopia. Justine Greening, Mitchell's successor, adapted the approval process for project business cases, assigning batches to junior ministers to review, and initiating a standardised review process for projects that were facing delivery difficulties.

Different approaches will be needed for different ministers. It is important to decide upon a system that works for you, giving you adequate oversight of your budget without allowing the minutiae of departmental expenditure to prevent you from seeing the bigger picture. New secretaries of state can help prevent the departmental machinery from grinding to a halt by empowering junior ministers to take spending decisions in their areas of responsibility.

3. Be aware of where your budget crosses departmental boundaries

Not all public spending aligns neatly with government departments. Responsibility for spending may be allocated to a lead department for reasons of convenience, even while the benefits of that spending accrue in other departments. It is important to know when to request other departments contribute to the funding of these programmes – and when to keep quiet and preserve political capital. Ask your civil servants why a particular area of spending has been allocated to your budget – they will often be more familiar with the internal politics of Whitehall. Consider where you could align your budget with other departments: there are often savings to be made by working more efficiently across government.



If you are the secretary of state for education negotiating your budget with the Treasury, your instinct is not to be asking for more money for the non-mandatory part of education that 50% of 18-year-olds go to and are kind of questioning whether it is value for money anyway. So universities are always going to have a hard time in budgetary terms being in the DfE than being anywhere else in Whitehall.



Sam Gyimah

Parliamentary under-secretary of state for childcare and education (2014–16)

4. Be prepared to negotiate and persuade – and use your cross-government networks

Budgets and spending reviews often involve delicate negotiations between Treasury and departmental civil servants, but setting a budget is not merely a technocratic exercise – it is ministers who must carry these negotiations over the line.

Be aware of cross-Whitehall politics. Frame your budget requests to align with the prime minister's spending priorities. Be aware of other departments that you might be competing with for funding. Where priorities overlap, work with other departments on a joint approach to spending – collaboration is often more effective than competition. Be willing to use your existing relationships across government, and build new relationships, to make the case for your spending proposals.



You can't simply rely on the civil service system to deal with the difficulties and the differences that need to be resolved. Often the best and fastest way of dealing with things, and getting a sort of settled understanding and way forward, is to do that minister-to-minister, to do that politically.



John Healey

Financial secretary to the Treasury (2002–05)

Questions to ask yourself

- Which parts of the departmental budget are most under pressure?
- How flexible is the departmental budget?
- Would you be able to justify any expenditure to the Public Accounts Committee?

Find out more

If you would like to discuss any of the above in more detail, or talk about potential training we can offer on this topic, please get in touch via ifgacademy@instituteforgovernment.org.uk

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