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Dear Accounting Officer

2020-21 CONTROL TOTALS

Contact

Please address enquiries to TOAEnquiries@hmtreasury.gov.uk

Action

Accounting Officers should ensure they have systems in place to closely monitor in-year spending totals as we approach the financial year end, and take the action set out in this letter, including seeking the available support from HM Treasury, if there is a significant risk that a control total will be breached.

Context

The onset of the COVID-19 pandemic triggered unexpected financial impacts across departments towards the end of 2019-20, which caused a number of bodies to breach their 2019-20 parliamentary control totals. Last May, the Permanent Secretary to the Treasury, Tom Scholar, wrote to the Public Accounts Committee to explain that HM Treasury had provided support and guidance to departments where these breaches were due to essential expenditure on the COVID-19 response.¹ We continue to engage with the Public Accounts Committee on these issues as bodies' 2019-20 Annual Report and Accounts are published.

These exceptional challenges for financial management have continued into this financial year. As the preparation and presentation of the 2020-21 Supplementary Estimates takes place, we recognise that there continues to be considerable difficulty in forecasting departmental financing needs for the remainder of 2020-21. HM Treasury stands ready to offer support and advice to departments faced with difficult decisions due to these circumstances.

The Supply Estimates Guidance Manual explains that Parliament expects departments to submit for approval Estimates based upon taut and realistic spending plans. This means that the amount of provision sought in the Estimates must reflect the departments best view as to the amount of expenditure likely to take place in that financial year. <https://www.gov.uk/government/publications/supply-estimates-guidance-manual>

Given the ongoing uncertainty caused by the pandemic, we recognise that the risks are much higher that urgent spending comes to light too late in the financial year to be voted by the Supplementary Estimates procedure. Wherever this occurs, departments should in the first instance discuss with HM Treasury. If

¹ <https://committees.parliament.uk/publications/1301/documents/11640/default/>

necessary and appropriate, it may be possible to consider virement between different ringfenced areas with HM Treasury approval.

An Accounting Officer will need to make a judgement on whether incurring additional expenditure gives rise to a significant risk that the Department will go above its spending limits. Where spending would undoubtedly result in a breach of control totals then this should be deemed irregular, as there is not Parliamentary approval for spending above the limits set out in the Estimates. In these circumstances, as in others which raise questions of regularity, propriety, value for money or feasibility, an Accounting Officer should seek a direction providing authorisation for the decision. Section 3.4 of Managing Public Money provides further information on the directions process. Your Treasury spending team will be able to provide additional advice if needed, and the Treasury Officer of Accounts team should be consulted where any directions are going to be sought.

Where an Accounting Officer receives a direction, they should arrange for it to be published on gov.uk as soon as possible, unless there is a broader public interest in keeping it confidential. If confidentiality is deemed necessary, it is good practice for the Accounting Officer to write to the Chair of the Public Accounts Committee (and relevant departmental select committee) to explain the reasons for this, and provide an expectation for when that need for confidentiality is likely to fall away.

It is also possible that a control total is breached due to issues beyond the immediate control of an Accounting Officer – for example if due to an unexpected loss of income, or due to the crystallisation of a contingent liability. In such circumstances, it is unlikely to be appropriate for the Accounting Officer to seek a direction if there is no available mechanism to prevent a breach. Again, where this occurs, it is good practice for the Accounting Officer to write to the Chair of the Public Accounts Committee (and relevant departmental select committee) to explain how the situation has arisen, and the likely financial impacts.

The current situation brings with it a set of challenges for us all which go outside of our normal expectations about how we manage the government finances. HM Treasury is grateful to departments for their continued efforts to support our responsibilities to Parliament for the careful management of public money.



David Fairbrother
Treasury Office of Accounts