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BUDGET HOLDER FORECASTING HANDBOOK

Dear Accounting Officer

Contact

Please address enquiries to GovFinance@hmtreasury.gov.uk

Action

Accounting Officers shall ensure they have appropriate mechanisms in place to ensure the effective forecasting of spending in their organisation. To support this, they should ensure their budget holders are aware of and follow the guidance set out in the budget holder forecasting handbook, published by the Government Finance Function in January 2023.

Context

Budget holders have formal, delegated responsibility to manage public funds. They have a responsibility to their Accounting Officer to execute their responsibilities with sound financial management. Forecasting is an essential part of this. It helps with managing the budget, understanding the direction a business area is heading in, and what budget holders can do to affect that direction.

This is particularly important for ensuring realistic forecasts underpin the Estimates that departments submit to Parliament for approval. The amount of provision sought in the Estimates must be based upon taut and realistic spending plans, reflecting the department's best view as to the amount of expenditure likely to take place in that financial year.

At a Public Accounts Committee hearing on 17 November 2021 discussing the Covid-19 Cost Tracker, concerns about the accuracy and strength of government forecasting were raised. The Treasury committed to consider lessons learnt following the pandemic and to produce a forecasting toolkit. Importance was placed on those at the front end of the process: much of the underpinning financial understanding to forecasting starts with budget holders.

To assist budget holders to produce accurate and timely forecasts, the Government Finance Function in the Treasury has published a budget holder forecasting handbook. The handbook sets out the following information and practical guidance:

- **The benefits to timely and accurate forecasting:** why accurate forecasting benefits the budget holder, departments, and cross-government decision making; the handbook shows how quality forecasting enables HM Treasury to make decisions with better data, meaning better value for taxpayers' money
- **The behaviours budget holders should exhibit and enable with their teams:** these aim to support budget holders to lead their teams to achieve timely and effective forecasts
- **Forecasting principles:** how budget holders should use judgement and evidence-based decision making to forecast within a range of possible outcomes
- **Best practice:** the different activities and ways of working which help to ensure robust, timely and accurate forecasts within teams; the handbook also explains the common mistakes and myths when forecasting, and how to improve a budget holder and their team's approach
- Forecasting is brought to life with **case studies** throughout the handbook, which aim to show effective forecasting in practice. These have been produced with colleagues across government to present a rounded picture of the different ways of working in government
- There is also a list of **additional resources and further reading**

This handbook is available on gov.uk at:
<https://www.gov.uk/government/publications/budget-holder-forecasting-handbook>. The next update to Managing Public Money will include a reference to these requirements and a link to the handbook.

A handwritten signature in black ink, appearing to read 'D. S. Fe.' with a stylized flourish at the end.

David Fairbrother
Treasury Officer of Accounts