



HM Treasury

# Government response to the Treasury Committee's report on the Office for Value for Money

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Presented to Parliament by  
the Chief Secretary to the Treasury  
by Command of His Majesty





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## Introduction

HM Treasury is grateful for the report on the Office for Value for Money (OVfM) from the Treasury Committee and welcomes the opportunity to respond to its recommendations.

HM Treasury is committed to ensuring that taxpayers' money is spent efficiently and effectively. The audit of public spending in July last year set out some immediate steps to achieve this, including the establishment of the OVfM as a time-limited organisation based in HM Treasury. Autumn Budget 2024 formally launched the OVfM, with the appointment of an independent Chair – David Goldstone CBE – whose remit is to provide private advice to the Chancellor of the Exchequer and the Chief Secretary to the Treasury. The Chair's current term ends in October 2025, with the possibility of extension. More information about the Chair's role is available in his [terms of reference](#).<sup>1</sup>

As a first step, the OVfM will advise the Chancellor of the Exchequer and the Chief Secretary to the Treasury on decisions for Spending Review 2025, including through:

- conducting an assessment of where and how to improve efficiency
- undertaking a small number of Value for Money (VfM) studies in specific high-risk areas of cross-departmental spending
- scrutinising investment proposals to ensure they offer VfM

The OVfM is also developing recommendations for system reforms, with the aim of leaving a legacy of concrete, embedded improvements to VfM. On 21 January the Chief Secretary to the Treasury announced that the government was accepting the first system reform recommendation from the OVfM, to undertake thematic VfM reviews in the years in between the biennial spending reviews (SRs). Thematic VfM reviews will help build the evidence on specific areas of public services on what works and identify how to reduce costs, driving better VfM and reform.

Alongside the Chair, the OVfM comprises a team of c.15 officials based in HM Treasury, including secondees from the National Audit Office (NAO), the Government Commercial Function, and the Evaluation Task Force.

The OVfM is achieving its objectives by:

- diagnosing and tackling the root causes of VfM issues, rather than the symptoms
- working in partnership with departments across government to make long-lasting changes
- deploying resources efficiently to target areas where the OVfM can have most impact, rather than duplicating the work of others

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<sup>1</sup> GOV.UK (2024). Terms of reference: David Goldstone CBE, independent Chair of the Office for Value for Money

This approach reflects the nature of the OVfM as a small, time-limited organisation that is not intended to be a permanent addition to the existing structures and frameworks that aim to deliver VfM.

In preparing this response, HM Treasury has carefully considered the issues that the Committee has highlighted. The rest of this paper sets out the Treasury Committee's recommendations covering resources, duplication, VfM studies, investment proposals, evaluation and outcomes, and in each case provides HM Treasury's response.



## Resources

**The Treasury must provide an estimate of how much the OVfM will cost including the cost of any external consultants it intends to procure, and then provide the actual cost of OVfM after it completes its initial work. (Recommendation, Paragraph 6)**

HM Treasury agrees with this recommendation.

The OVfM is committed to transparency of its costs, which are comprised primarily of staff costs and limited travel expenses between London and the Darlington Economic Campus. Its budget will be published and outturn data will be made available with HM Treasury's Annual Report and Accounts.

The OVfM does not intend to procure any external consultancy services. It has an independent Chair and a multi-disciplinary team of c.15 officials, and it is working in partnership with experts within and outside government.

## Duplication

**The OVfM must explain how it will interact with existing organisations and frameworks in government and the public sector that are already tasked with delivering value for money to avoid unnecessary duplication and to utilise existing expertise. (Recommendation, Paragraph 11)**

HM Treasury agrees with this recommendation.

The existing structures and frameworks that aim to deliver VfM reflect the complex range of activities undertaken by government and delivered through public spending. Accounting Officers take personal responsibility for ensuring that the organisation they manage delivers good value for the Exchequer as a whole, supported by their Finance Directors and internal departmental controls and assurance. The centre of government – including the Cabinet Office, HM Treasury and the Department for Science, Innovation and Technology – oversees functional standards and assurance processes to support Accounting Officers. This includes bodies with specific, distinct remits, for example, the Evaluation Task Force, which aims to improve the amount, quality and transparency of evaluation across government; and the National Infrastructure and Service Transformation Authority (NISTA), which will bring together oversight of infrastructure strategy and delivery into one organisation from April 2025.

Internal government audit is conducted by the Government Internal Audit Agency, while external government audit is undertaken by the NAO, which provides independent advice to parliament and makes recommendations to government. There is also accountability to Parliament through both the Public Accounts Committee, which

examines the VfM of government projects, programmes and service delivery, and departmental select committees, which scrutinise the work of departments.

As a time-limited organisation, the OVfM is not a permanent addition to these structures and frameworks that aim to deliver VfM. Instead, it has been set up because there are known longstanding VfM issues in the current system, and the start of a new Parliament and a multi-year SR process presents an opportunity to address them.

For example, the NAO's report *Lessons learned: a planning and spending framework that enables long-term value for money* said that "departments, [arm's-length bodies] and local government are spending money on related but uncoordinated activities and initiatives, which reduces overall value for money and leaves gaps in delivery and risk management."<sup>2</sup> The Institute for Government's report *How to run the next multi-year spending review* similarly said that "Spending reviews have not been set up to align spending with cross cutting priorities."<sup>3</sup>

The OVfM will address this longstanding issue in two ways. First, the OVfM will conduct a small number of VfM studies into high risk areas of cross-departmental spending to inform decisions at SR25. Second, it has also made a recommendation, which has been accepted by the Chief Secretary to the Treasury, to address this in a more systemic way, by introducing a regular programme of thematic VfM reviews to take place in the years in between the biennial SRs. Thematic VfM reviews will help build the evidence on what works for specific areas of public services, and identify how to reduce costs, driving better VfM and reform. The OVfM will publish further design details and an implementation plan in due course, including where delivery responsibilities will sit.

The OVfM is continuing to review the spending landscape to identify potential reforms that could leave a legacy of concrete, embedded improvements, alongside delivering targeted interventions through SR25. The OVfM is working closely with a wide range of stakeholders, drawing on expertise across central government and beyond. It does this in a range of ways.

First, the Chair met Heads of Departments to gain their insight into the challenges that the system presents for achieving VfM, and to explore potential opportunities for addressing them.

The Chair also regularly meets the Civil Service's Chief Operating Officer, to ensure alignment with the efficiency and public service reform agenda, and the Comptroller and Auditor General, to ensure the OVfM learns lessons from the NAO and undertakes complementary activity, recognising the distinct roles of the two organisations

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<sup>2</sup> National Audit Office (2024). *A planning and spending framework that enables long-term value for money*

<sup>3</sup> Institute for Government (2024). *How to run the next multi-year spending review*

Second, the OVfM has secondees from the NAO, Evaluation Task Force and the Government Commercial Function. This ensures ease of access to experts in these particular organisations, which the OVfM identified as being critical to delivering its mission.

Third, the OVfM is undertaking engagement with public, private and third sector stakeholders on specific issues. For example, as set out in the Autumn Budget, the OVfM is conducting an assessment of where and how to root out inefficiency to inform SR decisions. It will do this by working with departments to agree stretching and realistic technical efficiency targets of at least 1% of day-to-day spending each year of the SR – equivalent to at least £4bn in each year of SR25 - underpinned by robust delivery plans. A “technical efficiency” is defined in the Government Efficiency Framework: government can achieve efficiency gains by carrying out activities with fewer resources (such as people and buildings); or to a higher standard without additional resources. This process will:

- ensure that efficiencies are a focus in this SR, by clearly distinguishing between stopping activities and technical efficiencies
- increase confidence in the deliverability of efficiencies, by focusing on plans as well as targets
- support greater transparency, allowing external scrutiny of government plans

In taking forward this task, the OVfM and its Chair will work closely with departments to harness expertise at every level. This includes the functions, such as the Government Commercial Function, the Office of Government Property, the Government People Group, and the Government Digital Service, who will continue to provide guidance and support to the OVfM and departments. It also includes officials across HM Treasury, who will work collaboratively with departments to develop and agree their bespoke targets and plans.

## Value for money studies

**The Treasury must clarify publicly by the end of January which departmental agencies or budgets will be subject to OVfM value for money studies. (Recommendation, Paragraph 17)**

HM Treasury partially agrees with this recommendation.

The OVfM will conduct a small number of VfM studies in high-risk areas of cross-departmental spending. The OVfM’s judgement is that a small number of studies will enable delivery of meaningful actions at the SR, on some known VfM issues in large areas of spend; and it is proportionate to the time available between the launch of the OVfM on 30 October and the conclusion of the SR in June.

Terms of reference for the following two studies have been published [online](#), which provide an overview of the case for undertaking the study;

the scope, issues and challenges to be considered; and the proposed governance, timetable and output:

- **governance and budgeting arrangements for “mega projects”** (those with budgets in the tens of billions and long lifetimes). The NAO, the National Infrastructure Commission (NIC) and others have identified shortcomings in the existing budgeting framework and governance arrangements for these projects, which can undermine VfM. Even a small improvement would bring very significant savings, given the whole life cost of mega projects. The study will involve the Ministry of Defence, the Department for Energy and Net Zero, the Department for Transport, and HM Treasury, with input from the Cabinet Office, as well as the Infrastructure and Projects Authority (IPA), the NIC, and their successor organisation, NISTA, once it becomes operational in April 2025
- **procuring short term residential accommodation.** Temporary and transitional accommodation is procured by multiple central government departments, as well as local authorities, for a range of different groups. The scale of spend is significant – for example, in 2022-23 the Home Office spent £2.3bn on hotels for asylum seekers, and local authorities spent over £1.6bn on temporary accommodation. Unit costs have increased significantly in recent years. Independent experts, including the NAO and the Centre for Homelessness Impact, have identified shortcomings in the procurement of temporary and transitional accommodation that may have contributed to this cost escalation. The study will involve the Home Office, the Ministry of Housing, Communities and Local Government, the Ministry of Defence, the Ministry of Justice and HM Treasury, with input from the Cabinet Office and the Government Commercial Function, the Local Government Association, the Centre for Homelessness Impact and other relevant experts

These VfM studies will inform the government's approach to thematic VfM reviews in the years between biennial SRs, ensuring lessons learnt about how best to conduct these studies across departments are embedded into the SR framework and future processes.

## Investment proposals

**The Treasury must clarify how the OVfM will scrutinise investment proposals in the Spending Review process. This should include the criteria by which the OVfM selects investment proposals for scrutiny. The Treasury should also provide the method by which such investment proposals will be scrutinised, including the time horizon over which projected savings will be assessed. In addition, the Treasury must clarify how it will handle proposals where impact is not easy to quantify using existing economic methods. This may include spend-to-save measures. The Treasury must also clarify what scrutiny will be applied (if any) to investment proposals that are not selected for assessment by the OVfM. (Recommendation, Paragraph 19)**

HM Treasury agrees with this recommendation.

As part of SR25, HM Treasury has asked departments to consider the VfM of all their existing spending, to develop reform proposals in policy-specific and cross-cutting reform areas, and to participate in a series of multilateral ministerial discussions around how budgets can be used to deliver the government's top priorities. Departments have also been asked to provide supporting evidence for their investment proposals, which HM Treasury spending teams will scrutinise in line with the principles set out in the Green Book, the government's wider priorities, such as growth, and their overall deliverability and affordability. This will also include considering the invest-to-save benefits of proposals, as well as the benefits and costs that arise over the entire lifetime of proposals – the relevant “time horizon” – in line with the guidance set out in the Green Book.

HM Treasury takes a considered approach to all investment proposals, but is especially careful in reviewing proposals where impacts cannot be easily quantified. All proposals must begin with a strategic case that sets out the rationale and how it aligns with the government's strategic objectives. For proposals where impacts are hard to measure, HM Treasury will often focus relatively more attention on the strategic case to make sure the proposal is indeed implementing the government's objectives. The Green Book makes clear that some proposals might also use cost-effectiveness analysis when benefits are hard to quantify. This approach involves taking the benefits of a proposal as given, and instead considering different options to achieve those outcomes at the lowest cost.

The OVfM will scrutinise investment proposals where it can make the most impact, while avoiding duplication of the work of others. This means it will not scrutinise all investment proposals, which will be the responsibility of Treasury spending teams. Instead the OVfM will be guided by ministerial priorities to provide additional insight where it is most likely to inform decision-making. This could include undertaking a VfM assessment across particular types of investment, such as on invest-to-save or new capital projects, or assessing a subset of

investment proposals selected by HM Treasury officials for closer scrutiny by a senior panel.

The OVfM has developed a short set of appraisal criteria to inform its assessment of investment proposals, which it has shared with departments and published [online](#). The aim is to condense existing guidance into a set of common-sense questions that focus on the key issues. This would include the Green Book guidance on how to appraise policies, programmes and projects; the Public Value Framework, which is a practical tool for maximising the value delivered by public spending; the Aqua Book guidance on producing quality analysis; the Financial Transaction Control Framework; and the IPA's Cost Estimating Guidance. The criteria cover all forms of investment, including major projects, maintenance, grants, financial transactions, and invest-to-save initiatives.

## Evaluation

**The Treasury must set out how and when it will evaluate the OVfM's work, including specifying the metrics and key performance indicators that it will use to evaluate the overall worth of the OVfM project. (Recommendation, Paragraph 21)**

HM Treasury agrees with this recommendation.

The OVfM is committed to evaluating the impact of its work. It has published an evaluation plan [online](#), which is proportionate to the relatively small size of the OVfM, in line with Magenta Book guidance. The plan has been reviewed by the Evaluation Task Force and members of its Evaluation and Trial Advice Panel. The plan includes light-touch process, impact and VfM evaluations based on document review, survey and interview evidence, to be conducted after SR25.

The evaluation framework sets out the success measures (key performance indicators) that the OVfM intends to achieve during its lifetime – including the outputs of its interventions during SR25. The OVfM is targeting long-term outcomes that will be visible only after the OVfM no longer exists. Monitoring of these outcomes will form an ongoing part of HMT's and departments' core responsibilities, and will help to iteratively adjust the interventions over time. The final evaluation report will inform future interventions aimed at improving VfM, and will be published.

## Outcomes

**To maximise concrete outcomes from this project, the OVfM must specify before it is disbanded which parts of the Government should take responsibility for implementing its recommendations and by what timetable. To that end, the Treasury must set out the OVfM's recommendations; which of them it accepts or rejects; the reasons for such acceptance or rejection; and specify how it will monitor the effectiveness of the implementation of the OVfM's**

**recommendations. Based on learning, the OVfM should also recommend any improvements to existing structures and frameworks which currently aim to evaluate and deliver value for money across the Government. (Recommendation, Paragraph 23)**

HM Treasury partially agrees with this recommendation.

The OVfM has been set up to make concrete, embedded improvements to VfM through targeted interventions at SR25 and system reform recommendations. This includes identifying potential changes to existing structures and frameworks that aim to deliver VfM.

As a time-limited organisation, the OVfM is working in partnership with departments across government to make long-lasting changes. That means having agreed implementation plans in place for the system reforms that it recommends, and that the government accepts. In developing its advice to ministers, the OVfM is working closely with those parts of government likely to be responsible for implementing changes. The OVfM will publish those implementation plans in due course.

As set out in his terms of reference, the Chair's remit is to provide advice to the Chancellor of the Exchequer and the Chief Secretary to the Treasury, rather than to make recommendations publicly to government. The OVfM intends to publish a report setting out the system reforms that will be implemented as a result of its advice, alongside implementation plans, later this year.

The OVfM's evaluation plan has been published [online](#). It sets out how the evaluation findings will inform the set-up of similar bodies or VfM exercises in the future, and will contribute to the evidence base for future policy-making by HM Treasury.

**The OVfM's task is challenging because it is lightly resourced, and it has only a very short period of time to drive tangible improvements in efficiency in departments' spending during the Spending Review period. Its worth will depend on its ability to identify and to deliver meaningful, original new ways of securing value for money in public spending. (Conclusion, Paragraph 24)**

**At the end of its work on the Spending Review, the OVfM should provide a short report to the Committee covering the following:**

**1. What it reviewed and why**

**i) The programmes/ items that were reviewed by the OVfM;**

**ii) The reasons those items/programmes were selected, specifying the criteria it applied in making its decisions;**

**iii) The criteria it applied in assessing whether a project was "high risk";**

**iv) A description of the OVfM's input into the Spending Review process and Departments' efficiency plans.**

## **2. Its advice to Government;**

**i) A summary of its recommendations / specific advice to the Government;**

**ii) Its suggestions for improving the frameworks that apply to assessment of government spending, (e.g. those referenced at paragraph 9 of this report);**

**iii) Its suggestions as to meaningful, original new ways of securing value for money in public spending and its recommendations for "system reform";**

**iv) The OVfM's opinion as to the major barriers / "systematic blockers" to achieving value for money in government and how the OVfM helped to overcome them in the Spending Review process;**

**v) Which parts of the Government should take responsibility for implementing its recommendations.**

## **3. Lessons learned from the OVfM exercise**

**i) The OVfM's view as to how effectively the Spending Review process functioned and suggestions for improvements;**

**ii) The OVfM's evaluation of the effectiveness of its work, including the key "lessons learned". This should include advice as to how best to structure and carry out targeted reviews of government expenditure in the future. The OVfM should specify what worked well, and any barriers the OVfM found in carrying out its work. (Recommendation, Paragraph 25)**

HM Treasury partially agrees with this recommendation.

The OVfM has sufficient resource to deliver the work programme set out in the Autumn Budget, which includes both interventions during SR25 and system reforms to improve VfM. It has unique levers to deliver policy change, as it is based in HM Treasury and has an independent Chair. It is also leveraging additional resource and expertise by working in partnership with departments and other parts of HM Treasury. It will identify meaningful ways of securing VfM. These will not necessarily be original and they do not need to be new to make a difference; instead the OVfM will draw from the wealth of existing analysis produced by external organisations, including the NAO and select committees, as well as learning lessons from similar exercises undertaken in the past, and through exploring international best practice.



### What it reviewed and why

The OVfM will only scrutinise programmes where this forms part of its work programme for SR25. HM Treasury will publish a summary of the OVfM's contribution to SR25 as part of the Spending Review documentation. Amongst other things, this will confirm the areas of spend and types of investment proposals that the OVfM has scrutinised, and the OVfM's role in supporting the development of departmental efficiency targets and plans.

The OVfM is deploying its resources efficiently to target areas where it can have most impact, rather than duplicating the work of others. This means different selection criteria for different areas.

First, the OVfM is conducting an assessment of where and how to root out inefficiency. The OVfM will work with central government departments to agree stretching and realistic efficiency targets and plans for them and their arm's-length bodies, recognising that efficiency gains should be deliverable by all parts of central government.

Second, the OVfM is undertaking VfM studies in high-risk areas of cross departmental spending. The studies have been selected on the basis that the policy areas represent a material quantum of spend, with recent or expected cost escalation that is higher than inflation, where spending takes place or affects multiple parts of government, and where independent experts have already identified significant VfM issues.

Third, the OVfM is scrutinising investment proposals to ensure they offer VfM. It will not scrutinise all investment proposals, which would be duplicative of the responsibilities of HM Treasury spending teams. Instead it will be guided by ministerial priorities to provide additional insight where it is most likely to inform decision-making. This could include undertaking a VfM assessment across particular types of investment, such as on invest-to-save or new capital projects, or assessing a subset of investment proposals selected by HM Treasury officials for closer scrutiny by a senior panel. The OVfM has developed a short set of appraisal criteria to inform its assessment of investment proposals, which it has shared with departments and published [online](#).

### Its advice to government

The OVfM will publish a report setting out the system reforms that will be implemented as a result of its advice. This report will include:

- the OVfM's diagnosis of some of the major barriers to achieving VfM in government
- the system reforms that will be implemented as a result of the OVfM's advice, informed by the diagnosis of some of the major barriers to achieving VfM, and lessons from interventions undertaken through SR25
- implementation plans for those reforms, including delivery responsibility

As set out in his terms of reference, the Chair's remit is to provide advice to the Chancellor of the Exchequer and the Chief Secretary to the Treasury, rather than to make recommendations publicly to government.

*Lessons learned from the OVfM exercise*

The OVfM's evaluation plan has been published [online](#). It sets out how the evaluation findings will inform the set-up of similar bodies or VfM exercises in the future, and will contribute to the evidence base for future policy-making by HM Treasury.

As part of its system reform recommendations, the OVfM will consider all elements of the existing structures and frameworks that aim to deliver VfM, including the spending review framework. It has already recommended introducing VfM thematic reviews in the years between biennial SRs, to inform decisions in the spending review that takes place in the subsequent year.

### **HM Treasury contacts**

This document can be downloaded from [www.gov.uk](http://www.gov.uk)

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