By administrative custom, the Treasury is responsible for ensuring that government revenues and expenditures are balanced.¹ The Treasury controls government expenditure through a process known as “Treasury control.” According to this historical precedent, the Exchequer must approve any changes or increases in a department’s expenditure for the ensuing year (known as Votes). No piece of legislation calling for increased expenditure can proceed to Parliament until a Treasury Minister has consented. The intention of this oversight is to ensure that a department’s estimate is both economical and sufficient.

By December, every department prepares detailed Estimates of proposed expenditure for the following year. The Estimates fall into four categories: Navy, Army and Ordinance, Civil Service, and Revenue Department (Customs and Excise, Inland Revenue, and Post Office; later Air Force Estimates were added). A department’s Estimates are divided into Votes, representing different aspects of its budget. For instance, in the Admiralty’s Vote 1 covered wages, Vote 2 covered clothing. New expenditure and variations in the scope of existing services leading to increased expenditure must be submitted separately to the Treasury for approval. Subsequent increases in the original Estimates are submitted by means of Supplementary Estimates, which must also be approved by the Treasury.

Intense argument and consultation often occurs between the Treasury and the Departments over Estimates. It is not uncommon for the Treasury to modify the Estimates either by addition or by reduction. The Chancellor can criticize a department’s proposal either on the ground that finance was not available or on the merits of the proposals themselves. While Treasury control could be used by the Exchequer to hinder individual items, lacking a technical knowledge (especially for military matters), the
preferred method of exercising control is to set overall financial limits, allowing individual departments to prioritize their programs. In the event the Chancellor and the minister responsible for a department are unable to agree to a limit to that department’s expenditure, the matter is referred to the Cabinet for arbitration.

Once Estimates are approved by the Treasury, they are sent to the House of Commons. Estimates are discussed in the Committee of Supply and agreed to by the entire House. Each Vote can be discussed at length in the Supply Committee, and any item in the Vote can be rejected or reduced, but the House of Commons cannot add to the Vote. As one author notes, “Defence expenditure always required Cabinet approval in principle, and Treasury approval in detail” (Peden 1979, 15). Since all proposals included in the Estimates cannot be reviewed before the Estimates were submitted to the Supply Committee, the Treasury reserves the right for further consideration, and if the Treasury later finds that it cannot approve these proposals, the money allocated to cover them cannot be spent. Savings on Votes can be transferred to meet excesses on another vote only with the approval of the Treasury (know as virement). Finally, to exceed its Estimates for the current year (new commitments not approved in time for inclusion in the original Estimates or increases in costs that have arisen since the original Estimates were accepted), a department must submit to the Treasury a Supplementary Estimate which is then submitted to Parliament for approval.

There are slight differences between the Civil Estimates and the Service Estimates (Navy, Army and Ordinance, Air Force), which grant the latter certain advantages. First, the Admiralty and the War Office have large financial departments of their own. Lacking technical knowledge of the development and production of new weapons, when the approximate total figures of expenditure are agreed for each service, the Board of Admiralty and the Army Council settle their detailed programs accordingly. In practice, the Treasury departmental examination is less scrutinizing than in the case of Civil Estimates. Second, the Estimates by Civil and Revenue Departments are presented to the House of Commons by the Treasury, while Estimates of the Services are presented to the House of Commons by the Admiralty and War Office.