

Consolidated Fund Account 2020-21

Presented to Parliament pursuant to Section 21(1) of the National Loans Act 1968.

Consolidated Fund Account 2020-21

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Performance report

Overview

Purpose and activities of the Consolidated Fund Account

The Consolidated Fund (CF) was first set up in 1787 as 'one fund into which shall flow every stream of public revenue and from which shall come the supply for every service'. The basis of the financial mechanism by which the CF is operated is governed by the Exchequer and Audit Departments Act 1866.

In order to separate government revenue and expenditure on the one hand and government borrowing and lending on the other, the National Loans Fund (NLF) was established on 1 April 1968 by the National Loans Act 1968 to account for government borrowing and lending which were until then accounted for within the CF. The accounts for the CF and NLF are now published separately. Both the CF and NLF are administered by HM Treasury (the Treasury), with the bank accounts maintained at the Bank of England. The CF can therefore be regarded as central government's current account, whereas the NLF can be regarded as central government's main borrowing and lending account. By virtue of section 19(1) of the National Loans Act 1968, the net liabilities of the NLF are a liability of the CF.

The CF receives the proceeds of taxation and certain other government receipts, makes issues to finance Supply Services, meets the Standing Services directly charged by statute and reimburses the NLF for net interest costs. The finance needs of the CF are met by the NLF (via the proceeds of borrowing) to the extent that taxation and other receipts are insufficient to meet its outgoings. The CF finishes every day with a nil balance on its bank account because any surpluses or deficits are offset by transfers to or from the NLF.

The receipts of the CF mainly consist of:

- tax revenues such as those collected by Her Majesty's Revenue and Customs (HMRC);
- other receipts paid over by departments known as Consolidated Fund Extra Receipts (CFERs);
- tax-type revenues such as fines, penalties and certain licence fees paid over by departments and known as Trust Statement income;
- repayments from the Contingencies Fund; and
- balancing payments from the NLF when daily payments by the CF exceed its receipts.

The payments from the CF are mainly for:

- Supply Services, which are payments issued to government departments to finance their net expenditure. Parliament votes the necessary financial provision normally through the Supply Estimates process, which confers formal statutory authority through the Supply and Appropriation Acts that follow. There are normally two separate pieces of Supply legislation in each financial year: the Supply and Appropriation (Main Estimates) Act and the Supply and Appropriation (Anticipation & Adjustments) Act. The departments then use the cash for the purposes approved by Parliament;
- Standing Services, which are charges exempt from any need to be voted annually by Parliament because it has, by statute, permanently authorised the payments. These include for example the salaries of members of the higher judiciary, expenses of holding general elections, United Kingdom contributions to the budget of the European Union and financial assistance payments made under the Banking Act 2009;
- Standing Service payments for Political and Public salaries and pensions include Speakers, Opposition Leaders, Opposition Whips and the offices of high ranking officials which include the Comptroller and Auditor General, Parliamentary and Health Service Ombudsman and Information Commissioner;
- issues to the Contingencies Fund; and
- balancing payments to the NLF when daily receipts into the CF exceed its payments.

The financing needs of the CF are expected to be met over the long term mainly through future tax revenue receipts and other government revenues. Whilst the level of receipts in any year is subject to policy changes and, relatedly the UK's economic position, any shortfall can be met through the issuance of debt from the

NLF, the demand for which remains robust. Therefore, in accordance with the Government Financial Reporting Manual, whilst the accounts are prepared on a cash basis it has been concluded that it is appropriate to consider the CF as a going concern.

Key issues and risks

The key issues and risks facing the CF are considered in the Governance Statement on pages 7 to 12.

Performance analysis

The outturn for the year shows total payments and total receipts of £1,064.4 billion each (2019-20: £591.7 billion), including a receipt of £371.9 billion (2019-20: £68.5 billion) from the NLF to cover what would have been the deficit for the year.

Transactions with the Contingencies Fund artificially inflate both receipts and payments as do advances to HMRC to cover daily revenue shortfalls as described in note 2 to the accounts (the latter have the effect of increasing tax receipts to the Consolidated Fund by funding payments that would otherwise have been funded by HMRC from tax receipts). After adjusting for these, and for the deficit funding from the NLF, total underlying receipts decreased from £506.3 billion to £472.8 billion and underlying payments increased from £574.8 billion to £844.7 billion:

	Receipts		Payments	
	2020-21 £m	2019-20 £m	2020-21 £m	2019-20 £m
Total receipts / payments	1,064,427	591,742	1,064,427	591,742
Less Advances to HMRC	(9,723)	(9,339)	(9,723)	(9,339)
Less Transactions with the Contingencies Fund	(209,999)	(7,600)	(210,000)	(7,600)
Less Deficit funding from the NLF	(371,874)	(68,490)	-	-
	472,831	506,313	844,704	574,803

The accounts of the Contingencies Fund are published separately.

Receipts

In 2020-21 tax receipts decreased by £43.4 billion from £472.5 billion to £429.1 billion. More information is set out in the Annual Report and Accounts and Trust Statement prepared by HM Revenue & Customs. Miscellaneous receipts increased by £9.0 billion from £24.8 billion to £33.8 billion. Further details can be found in note 3.

Payments

Supply payments to government departments increased by £271.5 billion from £520.7 billion in 2019-20 to £792.3 billion in 2020-21. Note 4c sets out the cash supplied to the ten highest drawing departments during 2020-21. Further details on how Supply has been spent can be found in individual departmental Annual Reports & Accounts. Payments to the budget of the European Union (EU) decreased by £1.1 billion, from £14.2 billion in 2019-20 to £13.1 billion in 2020-21. Further details can be found in note 5.

International Support

The EU Budget is used to back various mechanisms that provide financial assistance to EU Member States and Third Countries including loans from the European Financial Stabilisation Mechanism, European Balance of Payments Facility, Macro Financial Assistance and the European Investment Bank. The UK left the EU on 31 January 2020. Under the terms of the Withdrawal Agreement the UK will maintain its existing contingent liabilities to the EU under these mechanisms, but not take on any additional contingent liabilities related to further financial operations approved after our withdrawal. Up until 31 March 2021 the CF was

responsible for any payments arising from the UK's contingent liability relating to lending under these mechanisms. No liabilities crystallised during 2020-21 (2019-20: nil). As described in the Parliamentary accountability and audit report, any calls on the UK's contingent liabilities for loans guaranteed by the EU budget that fall after 31 March 2021 will be funded by HM Treasury through the Supply process, not from the CF. Details of these contingent liabilities can be found in HM Treasury's Annual Report and Accounts.

In March 2018, a formal notice of infraction was received from the European Commission alleging that over the period 2011-2017, the UK did not take adequate steps to prevent losses to the EU budget from customs undervaluation fraud and that €2.7bn of customs duty is owed. Following correspondence between the UK and the Commission, the Commission referred the case to the European Court of Justice (CJEU). The government does not agree with the Commission's estimate of evaded duty and does not accept liability, and has fully contested the case. The written and oral hearing stages of the infraction have now concluded, with the case being heard at the CJEU on the 8 December 2020. The UK is currently awaiting the Advocate General's Opinion which is due on the 9 September with the judgment expected in early 2022.

EU withdrawal: the financial settlement

The European Union (Withdrawal Agreement) Act 2020 implements the Withdrawal Agreement. Under the main financial provision of the Act, obligations under the financial provisions of the Agreement that fall due after 31 March 2021, will be funded from Supply rather through a Consolidated Fund Standing Service with the exception of sums required to be paid in respect of the traditional own resources of the EU. HM Treasury will account for the financial settlement obligations and payments falling due after 31 March 2021. Obligations falling due before 31 March 2021, such as Budget contributions during the transition period, and payment of customs duties on imports from outside the EU before the end of the transition period will be met by the Consolidated Fund. It is currently anticipated that these payments will cease by the end of 2026.

Further information on the financial impact of EU withdrawal, and the treatment of the financial settlement in government accounts, is included in Annex E of the "European Union Finances" publication series.

Long-term expenditure trends

Since the function of the CF is to account for the proceeds of taxation and certain other government receipts, make issues to finance Supply Services, meet the Standing Services directly charged by statute and reimburse the NLF for net interest costs, it has no long-term expenditure trends.

Tom Scholar
Accounting Officer
HM Treasury

7 September 2021

Accountability report

The accountability report contains a Corporate governance report and a Parliamentary accountability and audit report. The purpose of the Corporate governance report is to explain the composition and organisation of the Consolidated Fund's governance structures and how they support the achievement of the Consolidated Fund's objectives. It includes the Statement of Accounting Officer's responsibilities and the Governance statement. The Parliamentary accountability and audit report includes key Parliamentary accountability information on regularity of expenditure and remote contingent liabilities as well as the Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament.

Corporate governance report

Directors' report

Operationally, the Consolidated Fund (CF) is managed by HM Treasury and staff charged with its oversight are employees of HM Treasury. Separately, the CF makes funding available for certain salaries and pensions but is not an employer. The CF itself therefore has no employees of its own.

Directors' conflicts of interest

In 2020-21, no material conflicts of interest have been noted by the senior management overseeing the Consolidated Fund.

Personal data related incidents

The CF had no protected personal data related incidents during 2020-21 (2019-20: nil).

Statement of Accounting Officer's Responsibilities

Under section 21(1) of the National Loans Act 1968, the Treasury is required to prepare a statement of Account relating to the Consolidated Fund for each financial year in the form and on the basis considered appropriate by HM Treasury. The Account is prepared on a cash basis and must give a true and fair view of the state of affairs of the Consolidated Fund and of its receipts and payments for the financial year. Notes 7-11 accompanying the Account disclose certain information relating to the Consolidated Fund on an accruals basis to assist preparation of Whole of Government Accounts.

In preparing the Account the Accounting Officer is required to:

- observe the relevant accounting and disclosure requirements of the Government Financial Reporting Manual in so far as they are relevant to the Account and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis; and
- confirm that the annual report and accounts as a whole are fair, balanced and understandable and take personal responsibility for the annual report and accounts and the judgements required for determining that they are fair, balanced and understandable.

The Treasury has appointed its Permanent Secretary, Tom Scholar, as Accounting Officer of the Consolidated Fund.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable and for keeping proper records, are set out in *Managing Public Money* published by the Treasury.

The Accounting Officer confirms that, as far as he is aware, there is no relevant audit information of which the CF's auditors are unaware, and that he has taken all the steps that he ought to have taken as Accounting Officer to make himself aware of any relevant audit information and to establish that the CF's auditors are aware of that information.

The Accounting Officer confirms that the annual report and accounts as a whole are fair, balanced and understandable and that he takes personal responsibility for the annual report and accounts and the judgements required for determining that they are fair, balanced and understandable.

Audit arrangements

The Account is prepared under section 21(1) of the National Loans Act 1968. The account is audited by the Comptroller and Auditor General under the requirements of the National Loans Act 1968. The National Audit Office (NAO) bears the cost of all external audit work performed on the CF. No non-audit work was undertaken by the NAO in relation to the CF in 2020-21.

Governance Statement

1. Governance Framework

- 1.1 The Consolidated Fund (CF) is managed within the Treasury's overall risk and governance framework as set out in the Treasury's Annual Report and Accounts 2020-21. This includes the Treasury Board's assessment of its compliance with the Corporate Governance Code for Central Government Departments.
- 1.2 The Chancellor of the Exchequer, as Minister in charge of the Treasury, is responsible and answerable to Parliament on all the policies, decisions and actions of the Treasury, and ultimately of the CF.
- 1.3 As Accounting Officer for the CF, I am personally responsible and accountable to Parliament for the organisation and quality of management of the CF, including its use of public money and the stewardship of its assets, in line with those responsibilities assigned to me in Managing Public Money.

Audit and Risk Committee

- 1.4 The Audit and Risk Committee (ARC) provides independent, objective and constructive challenge on the robustness of the control mechanisms in place and the evidence provided to deliver the assurance needed by the Board. It supports the Permanent Secretary and the other core department Accounting Officers in their responsibilities for managing risk, control and governance. The Committee may consider any issue relating to the running of the Treasury as well as any delivery or reputational risk. The ARC has oversight of the production of the Treasury Annual Report and Accounts, Central Funds (Consolidated Fund, National Loans Funds, Contingencies Fund and Exchange Equalisation Account) and Whole of Government Accounts.
- 1.5 Details on the overall risk and governance structure of HM Treasury can be found in the Governance Statement in the Treasury's Annual Report and Accounts.
- 1.6 The Permanent Secretary appoints members of the Committee for periods up to three years, extendable by one additional three-year period. The Chair of the Committee (Richard Meddings) reports directly to the Permanent Secretary and is also a Non-Executive member of the Treasury Board.
- 1.7 The membership of the ARC at the 31 March 2021 was:
 - Richard Meddings - Richard has chaired Audit and Risk Committees for a number of FTSE 100 companies within the Financial Services sector. Richard has served as a NED on the Boards of 3i plc, Legal & General plc, Deutsche Bank AG and Jardine Lloyd Thompson. He brings risk and banking experience to the role having been at Standard Chartered plc from 2002 until 2014 as Group Executive Director responsible for Risk and as Group Finance Director for 8 years. Richard serves on a number of Boards including as a NED on the Board of Credit Suisse Group AG, as Chair of TSB Bank, as Deputy Chair of the charity Teach First and as Chair on the Hastings Opportunity Area Board.
 - Tim Score - Tim's experience covers financial management and an in-depth knowledge of the technology sector. He was Chief Financial Officer of ARM Holdings plc from 2002 to 2015, Senior independent director, Chair of Audit and Interim Chairman at National Express Group (2005-2014), CFO of Rebus Group and William Baird PLC, and Group Financial Controller at BTR Plc and LucasVary PLC. Other roles: Chair of The British Land Company plc. Member of the Board of Trustees of Royal National Theatre; Chair of the Audit Committee of the Football Association; Non-Executive Director and Chair of Audit Committee at Pearson plc and Senior Independent Director at Pearson.
 - Zarin Patel – Zarin is Non-Executive Director of Anglian Water Services Limited and Chair of its Audit and Risk Committee. She is also Trustee of National Trust and Chair of its Audit and Risk Committee and was appointed to the board of Post Office Limited in November 2019 and sits on its Audit and Risk Committee. Until June 2021, Zarin was an Independent member of the Audit

and Risk Committee at John Lewis Partnership Plc. She was also formerly the Chief Financial Officer at the BBC and a member of its Executive Board.

- Sir Peter Estlin – Peter is an Alderman of the City of London Corporation. He is also an Independent Director at Rothschild & Co and Chair of the Association of Apprentices. Peter was also previously Group Financial Controller and acting Group CFO at Barclays.

1.8 The ARC met eight times during 2020-21 with all meetings held virtually. Pre-meeting discussions with the National Audit Office and Internal Auditors were held before each session. Attendance is outlined in the table below:

	Attendance
Richard Meddings (Chair)	8/8
Tim Score	8/8
Sir Peter Estlin	8/8
Zarin Patel	7/8

- 1.9 The ARC has a robust Conflicts of Interest Policy, which requires members to excuse themselves from discussions where potential conflicts may occur. Members are required to inform me about any potential conflicts and highlight these at the start of each meeting as appropriate.
- 1.10 In addition to the independent members, the appropriate Accounting Officers, HM Treasury’s Group Director of Finance and the Treasury Accountant (or, in their absence, the Head of Exchequer Accounts) also attend ARC meetings. Members have the opportunity for a pre-committee discussion with the NAO, Group Head of Internal Audit for HM Treasury and Head of Exchequer Funds Internal Audit (EFIA).
- 1.11 The ARC challenged and approved the Internal Audit work programme throughout the year and followed up on management action to address audit recommendations.
- 1.12 The external auditor is the Comptroller and Auditor General and the NAO attend all ARC meetings on his behalf.
- 1.13 The ARC receives all NAO reports and a summary of EFIA reports relating to the CF, as well as underlying reports on internal audits where issues are identified leading to Red or Amber assessments (one such report in 2020-21 and none in 2019-20, with recommendations subsequently addressed).

Exchequer Funds Internal Audit (EFIA)

- 1.14 Internal Audit for the CF is provided by EFIA, whose services are provided by the internal audit function of the Debt Management Office. The Head of EFIA reports directly to both me and the ARC on audit reporting matters. As required by the Public Sector Internal Audit Standards (PSIAS) an External Quality Assessment (EQA) of the Internal Audit service provided by EFIA is currently underway.
- 1.15 For the CF, an annual risk-based internal audit programme is agreed with the Treasury Accountant (or, in their absence, one of their managers) in advance of the ARC’s approval. The work programme always includes a review of the receipts and payments process, due to the very high value of payments made by the CF. The ARC reviews the work programme and is kept informed of progress and amendments.

EFIA Head of Internal Audit Report

On the basis of the work undertaken and discussions with EFA Management, in my opinion the framework of governance, risk management and control for the CF was adequate and effective during 2020-21. There were no matters arising from the work EFA Internal Audit (EFIA) carried out in 2020-21 that would give rise to a separate comment in the governance statement nor areas of concern that I needed to bring to the specific attention of the Accounting Officer. This is

the same level of assurance on the adequacy and effectiveness of governance, risk management and internal control that was issued to the Accounting Officer in 2019-20. Overall, the processes within EFA are well established and operating effectively, with a high standard of controls in place and record keeping that supports the transactions undertaken.

The annual internal audit opinion is a key element of the assurance framework, which the Accounting Officer needs to inform his annual Governance Statement. It does not detract from the Accounting Officer's personal responsibility for the framework of governance, risk management and control, on the effectiveness of which he takes assurance from his senior management and formal controls, as well as from internal audit.

The planned internal audit programme was reviewed and endorsed by HM Treasury's Audit and Risk Committee and Accounting Officer. EFIA has delivered a programme of internal audit engagements throughout 2020-21 including a review of all types of payments and receipts across the CF, the business continuity arrangements specific to the CF and also across the wider public finance business group.

Throughout the year, EFIA has continued to liaise with the EFA team and attend the HMT Audit and Risk Committees.

Malcolm Copeman
Head of Internal Audit
Exchequer Funds Internal Audit

Management of the Consolidated Fund

1.16 The CF is managed by the Treasury Accountant and their managers within the Exchequer Funds and Accounts (EFA) Team of HM Treasury. The EFA team reports any matters concerning the CF directly to me.

2. Risk Management

Treasury Risk management and reporting to the Treasury's Boards

- 2.1 HM Treasury's approach to risk management is informed by principles set out in The Orange Book. In line with the guidance, risk management forms an integral part of the department's governance, leadership and activities. The department has a sound system in place to consider the risks faced, challenge the assumptions made and, where appropriate, offer advice on how best to mitigate them. Within this structure some key positions hold specific accountabilities.
- 2.2 A risk management framework operates across the Treasury, including the Consolidated Fund, ensuring the effective identification and management of risks to the Department's strategic objectives. The Framework is underpinned by Directors', Risk Groups' and the Operations Committee's responsibility for monitoring, challenging and reporting on performance against, and risks to, the Treasury's objectives.
- 2.3 The Strategy, Planning and Budget Group synthesises the key updates on performance and risk for the Executive Management Board and the Treasury Board (Sub-Committee) on a quarterly basis via the Quarterly Performance and Risk Report (QPRR), escalating critical issues and enabling senior managers to take action as appropriate.
- 2.4 As a risk owner, the Treasury Accountant feeds into the quarterly risk return for the Fiscal Group and also provides a biannual risk return specifically for the CF. Both returns feed into QPRR presented to EMB and the Treasury Board (Sub-Committee).
- 2.5 The Chair of the ARC is invited to report concerns or issues to the TB(SC) and is a non-executive member of the Treasury Board.

Consolidated Fund Risk management

- 2.6 EFA is managed within the Treasury's risk management framework, as set out in the Treasury's Annual Report and Accounts (summary provided above). The Treasury Accountant has overall responsibility on a day-to-day basis for risk management of those Funds managed by EFA, and for ensuring that my financial, regularity and propriety responsibilities as Accounting Officer of the CF are discharged appropriately. They are supported by members of EFA management who are responsible for ensuring that the tasks in their respective areas are compliant with operational policies and procedures, and with legislation. In addition, a Central Funds Risks and Controls Review Panel comprising directors from both Treasury and the Debt Management Office provides me with additional assurance on EFA operations and risk management. The panel, chaired by the Fiscal Group Director, reviews the quarterly controls report and accompanying risk register produced by EFA management in advance of submission to me, providing challenge and input across the range of controls.
- 2.7 Risk management is key to all processes within EFA, including business continuity resilience planning for those public funds for which EFA is responsible. Business continuity resilience is regularly tested locally and with business partners, and lessons learned feed into improved business continuity processes. The risk management strategy includes periodic horizon scanning to identify any changes in risk exposure, to evaluate the change and to identify appropriate mitigating actions. Significant risk issues are recorded in a risk register and are assessed by likelihood and impact. A risk owner, who is responsible for managing the risk, is assigned to each risk. The risk register is reviewed quarterly by EFA management, and as noted above is circulated to me alongside the quarterly risks and controls report.
- 2.8 Since March 2020, new business continuity measures were introduced by EFA to mitigate the health risks to staff associated with COVID-19 while continuing to meet the increased operational demands placed on Exchequer fund management during this period. These measures have enhanced the internal control environment in terms of flexibility and resilience, but not significantly changed its existing structure and high level of efficacy.
- 2.9 The Treasury Accountant is also chair of the Public Finance Business Continuity group, a network that links relevant teams across the Treasury, the Bank of England, Debt Management Office, NAO, HMRC and Government Banking to ensure business continuity risks are adequately and consistently addressed across all operational partners in the stewardship of Exchequer funds. Annual certificates of assurance are received from all member organisations.
- 2.10 There are sufficient experienced staff in the EFA team with an appropriate range and breadth of knowledge to manage the CF, covering absences as necessary and maintaining resilience. EFA management ensures that key operational staff with responsibilities relating to the CF are trained and equipped to manage risk in a way appropriate to their authority and duties. Cross-training in operational procedures is also embedded across the team to increase resilience. Training on risk awareness and management is provided as required, either by management or by attending appropriate courses. Technical training is also provided to staff to build the team's capability and to increase its resilience. EFA team members are encouraged to obtain professional qualifications in areas that are relevant to their roles.

3. The system of internal control

- 3.1 As Accounting Officer, I am responsible for maintaining a sound system of internal control that supports the achievement of the CF's policies, aims and objectives, whilst safeguarding the public funds and assets, for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.
- 3.2 The system of internal control is designed to manage risk to an acceptable level, balancing the impact of potential risks with the resources required to manage them, rather than eliminate all risk. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the CF's policies, aims, and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically.

3.3 The system of internal control has been in place throughout the year ended 31 March 2021 and up to the date of approval of the financial statements, and accords with Treasury guidance. During the year there were no significant changes to the control environment.

4. Risk profile

4.1 The CF is managed generally within the framework of the Treasury's system of internal control. This framework includes resourcing the administration of the CF, security and the management of risks across the Treasury's business.

4.2 The key risks in managing the CF and their associated controls are:

- **Irregularity of transactions, including fraudulent or erroneous payments:** Clear separation of duties is enforced by appropriate user permissions within the accounting system and payment approval panels. Up-to-date policy and procedures manuals including job instructions are readily accessible to all operational staff. Payment instructions are computer-generated and are derived from underlying transaction records. This minimises the risk of keying errors. Net Supply issued to departments to finance expenditure is approved annually by Parliament through the annual Supply and Appropriation Acts. There are normally two separate pieces of Supply legislation in each financial year: the Supply and Appropriation (Main Estimates) Act and the Supply and Appropriation (Anticipation & Adjustments) Act. EFA inputs these limits onto the accounting system, which ensures that these limits are adhered to. Separately, the Comptroller and Auditor General, through the NAO Exchequer Section, approves the regularity of CF payments in advance and reconciles CF transactions on a daily basis. This is not part of the internal control environment but provides additional assurance to Parliament as to the legality of payments made. There is also a clear and comprehensive audit trail in the IT system, to which the NAO Exchequer Section has real-time access.
- **Incorrect accounting:** Application controls exist within the IT system used to manage financial transactions and account for receipts and payments of the CF. Cash-based accounting entries are generated from pre-defined templates. New general ledger accounts are authorised by the Treasury Accountant in EFA or one of their managers before being set up. Monthly management accounts for the CF are also produced and reviewed by the Treasury Accountant (or, in their absence, the Head of Exchequer Accounts), and are provided to me. The accounting for any unusual transactions is suitably considered.
- **Failure of IT systems:** The Nippon Telegraph and Telephone Corporation (NTT) data centre offers high levels of resilience with the data centre platform availability set to 99.9 per cent and the network connectivity availability set to 99.99 per cent. NTT has dual centres, which provides a high level of resilience. As part of disaster recovery measures, there is an Active/Active configuration across the two data centres, which ensures a superior level of availability across both sites with near instant failover. EFA also has its own contingency plans in place. Increased homeworking in response to COVID-19 has increased the reliance on third party IT providers for internet connection for individual users. However, the geographical spread of the team gives resilience as they are no longer co-located and reliant on the same infrastructure.
- **Failure to provide an effective service in adverse circumstances, including disaster situations:** To ensure operational resilience in key areas in the event of a threat to business continuity, staff within EFA are trained to provide cover for times when other staff members are absent. Measures are in place to facilitate the NAO Exchequer Section's normal payments approval process in the event of disruption to enable the essential payments business to continue. The risks that impact upon EFA's key stakeholders are managed by their involvement in business continuity planning and testing. Business continuity arrangements are regularly reviewed and tested within the framework of the Treasury's corporate Business Continuity Plan and facilities. Remote working has been implemented for over a year as a result of the COVID-19 pandemic with no adverse impacts on operations or the wider control environment.
- **Failure of principal counterparties to provide agreed services:** Well-developed Service Level Agreements (SLAs) for the provision of services from all principal counterparties are in place. They cover details of the monitoring and control arrangements that both parties are expected to observe. Regular meetings are held with managers at the Bank of England where service levels are

discussed and a monthly report of any failure to meet the service requirements is sent to the Bank by EFA. Regular meetings are also held with DMO, Government Banking and HMRC management where service levels and incidents are discussed.

- **Information risk:** Data and information risks are managed in accordance with the Treasury's policies, which involve a range of controls to prevent unauthorised disclosures. These include encryption and physical and IT security. HM Treasury adheres to Cabinet Office guidelines.¹ Further guidance on information security and assurance is available to all Treasury staff on the intranet. EFA's own Data Handling Policy identifies risks specific to EFA. This policy is reviewed as required. EFA continues to assess and improve data handling in line with GDPR.

5. Review of effectiveness

- 5.1 In line with HM Government guidance, set out within the Corporate Governance Code of Good Practice for central government departments, I have reviewed the effectiveness of the system of internal control. My review is informed by the work of EFIA who provided positive assurance as to the management and control of the CF in 2020-21 and the executive managers within EFA who have responsibility for the development and maintenance of the internal control framework, as well as comments made by external auditors in their management letter and other reports. I have been supported by the Treasury Group ARC and risk owners in addressing weaknesses and ensuring continuous improvement of the system is in place. Information about the effectiveness of the Treasury's overall system of governance including board effectiveness, attendance, compliance with the Corporate Governance Code and quality of management information reviewed is reported in the Treasury's Annual Report and Accounts.
- 5.2 The ARC considered the 2020-21 accounts in draft and provided me with its views before I formally signed the accounts.
- 5.3 No significant internal control issues, including data related incidents, have been identified in 2020-21, and no significant new risks specific to the operational management and performance of the CF have been identified in the year. No ministerial directions have been given in 2020-21.
- 5.4 In my opinion, the system of internal control was effective throughout the financial year and remains so on the date I sign this report.

¹ Available at <https://www.gov.uk/government/publications/security-policy-framework>.

Parliamentary accountability and audit report

Regularity of payments

The receipts and payments of the CF were applied to the purposes intended by Parliament.

The above statement has been audited.

Losses and special payments

During the current year, the CF had no losses or special payments totalling over £300,000 (2019-20: £nil).

The above statement has been audited.

Fees and charges

The CF does not have any fees or charges.

The above statement has been audited.

Remote contingent liabilities

The CF has contingent liabilities that fall outside the scope of IAS 37 as the possibility of an outflow of resources is remote. However, their disclosure is necessary under Parliamentary accountability requirements. As at 31 March 2021 the CF had the following remote contingent liabilities:

	At 31 March 2021 £m	At 31 March 2020 £m
EIB: Callable capital subscription	-	31,645
Loans Guaranteed by the EU Budget	-	10,557
Value of UK coins in circulation	4,672	4,733

European Investment Bank: Callable capital subscription

Under the EU Withdrawal Act, which implements the Financial Settlement, any calls on contingent liabilities related to the EIB which take place after 31 March 2021 will be funded by HM Treasury through the Supply process, rather than directly from the Consolidated Fund. Therefore, the CF's liability as at 31 March 2021 is nil. HM Treasury's liabilities in respect of the EIB are disclosed in HM Treasury's accounts.

Loans Guaranteed by the EU Budget

The EU Budget covers three main types of lending operations: a) to Member States under the Balance of Payments Facility and European Financial Stabilisation Mechanism; b) guarantees to the European Investment Bank for lending eligible under the European Fund for Strategic Investments (EFSI); and c) loans and guarantees to Third Countries under Macro Financial Assistance, Euratom and European Investment Bank operations.

Under the terms of the Withdrawal Agreement, the UK will maintain its existing contingent liabilities for loans guaranteed by the EU budget as they stood at the point of withdrawal, but not take on any further

liabilities for loans agreed after withdrawal. The terms of this arrangement are set out in Article 143 of the Withdrawal Agreement, and specify that for instruments with an associated provisioning fund, the UK's share of the provisioning fund is treated alongside its contingent liability for the corresponding loans, resulting in some instances in a net contingent asset. As with the EIB contingent liabilities, any calls on the UK's contingent liabilities for loans guaranteed by the EU budget that fall after 31 March 2021 will be funded by HM Treasury through the Supply process, not from the Consolidated Fund. Therefore, the CF's contingent liability as at 31 March 2021 is nil. HM Treasury's contingent liabilities in respect of these guarantees are disclosed in HM Treasury's accounts.

UK Coins in Circulation

As at 31 March 2021 the estimated total face value of coins in circulation was £4,672 million (2019-20 £4,733 million). The CF has potential liability in respect of returned and damaged coins and if coins are redeemed. The value of returned, damaged and redeemed coins paid in 2020-21 was £22.2 million (2019-20 £33.7 million) (notes 6a and 9). The probability of a material liability in respect of coinage is considered remote.

The above statements have been audited.

Tom Scholar
Accounting Officer
HM Treasury

7 September 2021

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

Opinion on financial statements

I certify that I have audited the financial statements of the Consolidated Fund for the year ended 31 March 2021 under the National Loans Act 1968. The financial statements comprise: the Receipts and Payments account and the related notes 1 to 6; the accruals-based disclosures in notes 7-11; and notes 12 to 14, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and National Loans Act 1968.

I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements properly present the receipts and payments of the Consolidated Fund for the year ended 31 March 2021; and
- the financial statements have been properly prepared in accordance with the National Loans Act 1968 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects the receipts and payments recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Consolidated Fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Consolidated Fund's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Consolidated Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Consolidated Fund is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

Other Information

The other information comprises information included in the Annual Report but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's certificate thereon. The Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the National Loans Act 1968;
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Consolidated Fund and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Report. I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual are not made; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- assessing the Consolidated Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Consolidated Fund will not continue to be provided in the future or intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the National Loans Act 1968.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, the Consolidated Fund's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Consolidated Fund's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the National Loans Act 1968 and Managing Public Money.
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following area: posting of unusual journals.
- obtaining an understanding of the Consolidated Fund's framework of authority as well as other legal and regulatory frameworks that the Consolidated Fund operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Consolidated Fund. The key laws and regulations I considered in this context included the National Loans Act 1968 and Managing Public Money.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the receipts and payments reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies

Comptroller and Auditor General

9 September 2021

National Audit Office

157-197 Buckingham Palace Road

Victoria

London, SW1W 9SP

Receipts and Payments Account for the year ended 31 March 2021

	Notes	2020-21 £m	2019-20 £m
Receipts			
Tax Revenue			
HMRC	2	429,125	472,548
Vehicle Excise Duty	2	6,948	7,011
Business Rates Retention/National Non-Domestic Rates	2	12,700	11,300
		448,773	490,859
Other Receipts			
Repayments from the Contingencies Fund		209,999	7,600
Miscellaneous receipts	3	33,781	24,793
Deficit met from the National Loans Fund		371,874	68,490
Total receipts		1,064,427	591,742
Payments			
Supply Services	4	792,268	520,734
Standing Services			
Advances to HMRC in support of revenue	2	9,723	9,339
Payments to the National Loans Fund for net interest payments		39,041	39,306
Payments to the budget of the European Union	5	13,089	14,206
Other Standing Services	6a	306	557
		854,427	584,142
Issues to the Contingencies Fund		210,000	7,600
Total Payments		1,064,427	591,742

The notes on pages 20 to 33 form part of this Account.

Tom Scholar
Accounting Officer
HM Treasury

7 September 2021

Notes to the Account

1. Statement of Accounting Policies

The Consolidated Fund (CF) was first set up in 1787 as 'one fund into which shall flow every stream of public revenue and from which shall come the supply for every service'. The basis of the financial mechanism by which the CF is operated is governed by the Exchequer and Audit Departments Act 1866.

The CF is administered by the Treasury; its bank account is maintained at the Bank of England.

These accounts are prepared on a cash basis under section 21(1) of the National Loans Act 1968 as an account of payments and receipts. In addition, accruals-based disclosures are made at notes 7-11 to assist preparation of Whole of Government Accounts. They are restricted to those items not disclosed in departmental Annual Reports and Accounts or elsewhere. These items include liabilities in respect of pensions paid directly from the CF, coinage issued and redeemed, and ongoing litigation. These disclosures have been prepared on an accruals basis under the historical cost convention, modified to account for the revaluation of investments. There is limited direct read-across between the accruals-based notes 7-11 and the cash-based CF Receipts and Payments account. References are given where there is a direct read-across to notes 3 and 6a.

There are no accounting standards in issue that are not yet effective that would impact on the CF.

All notes are stated in millions of pounds sterling (£m) with the exception of those notes including payroll or pensions information which are stated in thousands of pounds sterling (£000) or pounds sterling (£).

2. Tax Revenue

Detailed breakdowns of tax revenues paid into the CF are set out in Trust Statements prepared by the receiving departments. These departments are Her Majesty's Revenue and Customs (HMRC), the Driver and Vehicle Licensing Agency (DVLA) and the Ministry of Housing, Communities and Local Government (MHCLG). Tax receipts collected by HMRC are subject to an estimation process applied by HMRC to distinguish between tax receipts and national insurance contributions which are also collected by HMRC. Cash paid over to the CF by HMRC in any reporting period may include amounts later identified as national insurance contributions which are then repaid to the National Insurance Fund.

HMRC is empowered to receive funding from the CF to meet its cash needs on days when its revenue-related outflows exceed its receipts. Some £9.7 billion was advanced from the CF for this purpose in 2020-21 (£9.3 billion in 2019-20).

3. Miscellaneous receipts

	Notes	2020-21 £m	2019-20 £m
Consolidated Fund Extra Receipts (CFERs) ¹		25,069	18,383
Trust Statement revenue ²		7,002	5,548
United Kingdom coinage issued	9	52	173
Crown Estate surplus revenue		247	14
Current year over-issues of Supply repaid	4	-	63
Prior year over-issues of Supply repaid	4	826	-
European Investment Bank		272	-
Miscellaneous		313	612
Total		33,781	24,793

¹ CFERs comprise:

- Negative Supply (for Departments that end the year with a negative net cash requirement outturn);
- departmental income that falls outside the ambit of the Estimates; and
- fines, levies and penalties considered insufficiently material to be reported in a Trust Statement.

² Trust Statement Revenue comprises fines, levies and penalties considered sufficiently material to be reported in a Trust Statement. The figures above exclude Trust Statement revenue included within Tax Revenue on the face of the Receipts and Payments account and already reported in note 2.

Receipts surrendered to the Consolidated Fund

Remitter	2020-21			2019-20
	CFERs	Trust Statement	Total	Total
	£m	£m	£m	£m
1. HM Treasury	18,168	361	18,529	15,266
2. BBC Licence Fee	-	3,665	3,665	3,270
3. Department for Business, Energy and Industrial Strategy	1,005	2,268	3,273	1,353
4. NHS Pension Scheme	3,035	-	3,035	200
5. Ministry of Housing, Communities and Local Government	1,242	-	1,242	1,130
	23,450	6,294	29,744	21,219
Other	1,619	708	2,327	2,712
Total	25,069	7,002	32,071	23,931

Note that receipts are recorded against the remitting entity even where that entity is part of a wider group which may also generate remittances.

Receipts from HM Treasury comprised £13.7 billion excess cash from Bank of England Asset Purchase Facility Fund (2019-20: £7.1 billion), £1.1 billion from Government financial sector interventions (2019-20: £6.2 billion), £1.5 billion from donation of business rates relief (2019-20: nil) and £2.2 billion from other items (2019-20: £2.0 billion). Further information can be found in the Treasury's 2020-21 Annual Report & Accounts and the Treasury's 2020-21 Trust Statement.

4. Analysis of Supply Services*4a Supply Services issues and repayments*

	Notes	2020-21	2019-20
Supply Issues		£m	£m
For current year		788,549	520,584
For previous year		3,719	150
Supply Services issued		792,268	520,734
Current year over-issues of Supply repaid	3	-	(63)
Prior year over-issues of Supply repaid	3	(826)	-
Net Supply Services issued		791,442	520,671

Note 4a shows receipts and payments of Supply in a financial year.

4b Supply Services analysed by period

Year for which Supply granted	2020-21	2019-20	2018-19
	£m	£m	£m
Positive Net Cash Requirement	878,207	541,781	519,203
Negative Net Cash Requirement	(3,606)	(9,099)	(6,331)
Excess Vote	n.a	3,712	-
Total Net Supply granted by Parliament	874,601	536,394	512,872
Surplus not required (as reported)	n.a	(10,899)	(23,174)
Revised Total Net Cash Requirement outturns reported by government departments	n.a	525,495	489,698

Analysed by Year of Payment/(Receipt):

2018-19	Issues made in year		488,287	
	Current year over-issues surrendered in cash		-	
	Prior year issues applied to a subsequent year		8,805	
	Prior year over- issues surrendered in cash		-	
2019-20	Issues made in year		520,584	150
	Current year over-issues surrendered in cash		(63)	-
	Prior year issues applied to a subsequent year		7,544	(7,544)
	Prior year over- issues surrendered in cash		-	
2020-21	Issues made in year	788,549	3,719	-
	Current year over-issues surrendered in cash	-	-	-
	Prior year issues applied to a subsequent year	6,289	(6,289)	-
	Prior year over- issues surrendered in cash	(826)	-	-
Total		n.a	525,495	489,698

Note 4b analyses the receipts and payments of Supply according to the year for which the Supply was granted. The Net Cash Requirement for 2020-21 will not be finalised until all government departments

have published their accounts. Therefore this figure and the subsequent analysis is noted as not yet available (n.a). This will be published in the 2021-22 CF Account. Excess Votes are always approved in March of the following year, therefore any adjustments to Supply in respect of Excess Votes will always be recorded as an adjustment to the previous year's figures.

4c Departmental Drawings

The following analysis sets out the cash supplied to the ten highest drawing departments during 2020-21. Details of how Supply has been spent can be found in each of the departmental Annual Report and Accounts.

Cash Supplied by the Consolidated Fund

Department	2020-21 £m	2019-20 £m
1. Department of Health and Social Care	166,203	114,000
2. Department for Work and Pensions	109,828	91,858
3. H.M. Revenue & Customs	105,914	16,296
4. Department for Education	89,975	83,412
5. Dep for Business, Energy and Industrial Strategy	49,187	15,465
6. Scotland Office	43,383	31,561
7. Ministry of Defence	41,748	40,977
8. Ministry of Housing, Communities & Local Governmt	40,057	16,768
9. Department for Transport	36,144	20,487
10. Wales Office	21,805	15,342
	704,244	446,166
Other	88,024	74,568
Total	792,268	520,734

5. United Kingdom contributions to the Budget of the European Union (EU)

Member States' contributions to the EU Budget are made on the basis of the financing system set out in the Own Resources Decision (ORD) which was agreed by all Member States in 2013 and incorporated into UK law by virtue of the European Union (Finance) Act 2015. The UK is no longer an EU Member State, but under the terms of the Withdrawal Agreement it continued to contribute to the EU budget through this system until the end of 2020.

Contributions relate to calendar years and are formula based, using factors that are in many cases subject to periodic revision over a number of years as better information becomes available, for example Gross National Income (GNI). Revisions to a Member State's contributions for a given year may therefore be made over several years. The ORD provides for the EU Budget to be financed by own resources consisting of:

(i) customs duties, including those on agricultural products;

(ii) sugar levies;

(iii) VAT-based resource, which is the product of the application of a uniform rate, not exceeding 0.3 per cent, to a hypothetical, harmonised expenditure base which must not for any Member State exceed 50 per cent of its GNI base; and

(iv) a GNI-based resource, sometimes referred to as the "fourth resource". The rate of this GNI-based resource is whatever is required, given all other revenue, to balance the Budget.

The UK's abatement is calculated in accordance with the formula set out in the ORD. It is equal to approximately 66 per cent of the difference in the previous year between the UK's contribution to the EU's abatable budget expenditure and the UK's receipts from the EU Budget. Abatable budget expenditure is all expenditure allocated to the 15 countries that were Member States prior to 2004 plus most of the agricultural expenditure allocated to Member States that acceded since 2004.

	Contribution for year ended 31 March 2021	Adjustment of prior years' contributions	2020-21	2019-20
	£m	£m	Total £m	Total £m
Custom duties	2,143	16	2,159	2,657
Sugar levies	-	-	-	-
VAT-based contribution	1,847	106	1,953	2,695
GNI-based contribution	11,497	1,265	12,762	13,003
	15,487	1,387	16,874	18,355
UK abatement	(2,983)	(802)	(3,785)	(4,149)
UK's total contribution to EU Budget	12,504	585	13,089	14,206

The changes agreed under ORD14 came into effect in October 2016 following the completion of ratification of the ORD by all Member States. Retroactive adjustments to Member States' contributions between January 2014 and October 2016 were made in January 2017. The UK made a payment of £0.4bn to cover the reduction in the amount of customs duties and sugar levies retained by the UK from 25% to 20% and a payment of £0.8bn to account for changes in the calculation of GNI and the financing shares of other Member States. The UK rebate was also increased by £0.6bn, putting the net payment at £0.6bn.

In 2020-21 the UK recognised a net receipt of £1.1bn in respect of the annual GNI and VAT revenue adjustment exercise, of which £0.6bn was returned to the UK in revisions to the UK abatement. The UK also received a refund of £0.1bn in respect of opting out of Justice and Home Affairs programmes.

The UK's contribution to the EU budget varies from year to year as a result of various factors, for example variations in payments made due to the nature of the Own Resources system and variations in UK receipts from the EU budget and consequent fluctuations in the UK abatement. The Government presents an annual statement to Parliament about the EU Budget².

²<https://www.gov.uk/government/collections/eu-annual-statement>

6a Other Consolidated Fund Standing Services payments

	Notes	2020-21 £'000	2019-20 £'000
Annuities and Pensions			
Annuity to the Duke of Edinburgh ³		397	359
Royal Household Pension Scheme	7d	4,742	4,499
Pensions for Judicial Services ¹	8	86,871	83,138
Members of the European Parliament pensions	7d	2,232	2,663
Political and Public Service pensions	8	562	545
Civil List pensions	8	135	139
Salaries and Allowances			
Courts of Justice ²		166,981	162,952
Members of the European Parliament		-	199
Political and Public	6b	1,399	1,401
Miscellaneous Services			
Election and referendum expenses		20,245	267,128
Royal Mint (redeemed coinage)	9	22,199	33,747
Miscellaneous refunds		64	45
Total		305,827	556,815

¹ Pensions for Judicial Services includes pensions of previous Lord Chancellors.

² Courts of Justice salaries includes the salary of the Lord Chancellor.

³ The annuity to the Duke of Edinburgh is £359,000 per calendar year. The timing of payments in 2021 was varied to meet expenditure needs resulting in higher costs being attributed to the 2020-21 financial year.

6b Political and Public Service Payments

Political and Public Service Payments reported in note 6a comprise payments to the holders of political posts or public offices and associated employers' national insurance contributions for which specific statutory powers exist enabling the CF to make such payments:

	2020-21 £	2019-20 £
Holders of Political Posts - payments	421,570	399,324
Holders of Political Posts - employers' national insurance	49,291	44,675
Public Office holders - payments	825,090	853,084
Public Office holders - employers' national insurance	102,995	104,196
Total	1,398,946	1,401,279

The figures above exclude payments and associated employers' national insurance for the Lord Chancellor which are shown in table 6bi below but are included with Courts of Justice salaries rather than Political and Public in note 6a.

The payments to office holders are shown below and do not include employers' national insurance contributions. In line with the rest of the CF account, these are reported on a payments basis. Any backdated payments are reported in the year they are paid.

6bi Payments to holders of Political Posts

	2020-21	2019-20
	Salary	Salary
	£	£
The Rt Hon Jeremy Corbyn MP <i>Leader of the Opposition – HOC</i>	461	49,707
Sir Keir Starmer ¹ <i>Leader of the Opposition – HOC</i>	57,310	-
The Rt Hon Baroness Smith of Basildon ² <i>Leader of the Opposition – HOL</i>	107,917	96,419
Rt Hon Nicholas Brown MP <i>Opposition Chief Whip – HOC</i>	34,367	30,264
The Rt Hon Alan Campbell MP <i>Deputy Opposition Chief Whip – HOC</i>	20,043	17,645
The Rt Hon Lord McAvoy ² <i>Opposition Chief Whip – HOL</i>	102,529	91,618
Mark Tami MP <i>Opposition Pairing Whip – HOC</i>	20,043	17,645
The Rt Hon John Bercow MP ³ <i>Speaker – HOC (to October 2019)</i>	-	64,071
The Rt Hon Sir Lindsay Hoyle MP <i>Speaker – HOC (from November 2019)</i>	78,900	31,955
	421,570	399,324
<i>Rt Hon David Gauke MP⁴</i> <i>Lord Chancellor (to July 2019)</i>	-	38,107
<i>Rt Hon Robert Buckland</i> <i>Lord Chancellor (from July 2019)</i>	67,505	46,274
	67,505	84,381

¹Current year figure includes an overpayment of £2,436 that was recovered in year and is included in note 3 "Miscellaneous".

²The figures include the Lords Office-holder's Allowance of £36,366 per annum.

³Prior year figures include salary up to October 2019 and severance payment (£19,221).

⁴Prior year figures include salary up to July 2019 and severance payment (£16,876).

Pensions are paid from the CF to former Prime Ministers, Speakers and Lord Chancellors in accordance with legislation (note 8). The CF does not pay any other expenses or allowances or make any other payments to MPs.

6bii Payments to Public Office holders

	2020-21 Salary £	2019-20 Salary £
Sir Amyas Morse ¹ <i>Comptroller and Auditor General (to May 2019)</i>	-	37,172
Gareth Davies ¹ <i>Comptroller and Auditor General (from June 2019)</i>	220,000	183,333
Rob Behrens, CBE ² <i>Parliamentary and Health Service Ombudsman</i>	171,125	166,464
Virginia McVea ³ <i>Northern Ireland Chief Electoral Officer</i>	100,124	82,484
Elizabeth Denham ⁴ <i>Information Commissioner</i>	180,000	180,000
Lord Michael Bichard ¹ <i>Chair of the National Audit Office (to Jan 2021)</i>	30,968	40,000
Dame Fiona Reynolds ¹ <i>Chair of the National Audit Office (from Jan 2021)</i>	9,032	-
Sir John Holmes ^{5 & 6} <i>Electoral Commission Chair</i>	59,838	71,805
Anna Carragher ⁵ <i>Electoral Commissioner (fee based)</i>	5,719	11,523
Dame Sue Bruce ⁵ <i>Electoral Commissioner (fee based)</i>	1,560	11,672
David Howarth ^{5 & 7} <i>Electoral Commissioner (fee based) (to 30 Sep 2018)</i>	-	20
Lord John Horam of Grimsargh ^{5 & 7} <i>Electoral Commissioner (fee based) (to 30 Sep 2018)</i>	-	32
Alasdair Morgan ⁵ <i>Electoral Commissioner (fee based)</i>	6,905	9,617
Bridget Prentice ^{5 & 7} <i>Electoral Commissioner (fee based) (to 30 Sep 2018)</i>	-	40
Robert Vincent CBE ⁵ <i>Electoral Commissioner (fee based)</i>	7,721	9,402
Professor Dame Elan Closs Stephens CBE ⁵ <i>Electoral Commissioner (fee based)</i>	10,348	15,805
Sarah Chambers ⁵ <i>Electoral Commissioner (fee based)</i>	5,524	9,020

Joan Walley ⁵ <i>Electoral Commissioner (fee based)</i>	11,888	8,363
Alastair Ross ⁵ <i>Electoral Commissioner (fee based) (to Feb 2020)</i>	-	8,739
Lord Gilbert of Panteg ⁵ <i>Electoral Commissioner (fee based) (from Nov 2018)</i>	4,338	7,593
	825,090	853,084

¹ Salary details for the Comptroller and Auditor General (C&AG) and Chair of the NAO are also disclosed in the National Audit Office Annual Report and Accounts.

² Salary details for the Parliamentary and Health Service Ombudsman are also disclosed in the Parliamentary and Health Service Ombudsman Annual Report and Accounts

³ Current year figures include a backdated pay increase with effect from 1 August 2019.

⁴ Salary details for the Information Commissioner are also disclosed in the Information Commissioner's Annual Report and Financial Statements.

⁵ Details of the salary of the Electoral Commission Chair and Electoral Commissioners' fees are also disclosed in the Electoral Commission Annual Report and Accounts.

⁶ Current year figure includes an overpayment of £5,984 that was recovered in year and is included in note 3 "Miscellaneous".

⁷ Prior year figures relate to arrears from 2018-19

Pensions are payable from the CF to former Comptrollers and Auditors General, Parliamentary Commissioners, Information Commissioners, Northern Ireland Chief Electoral Officers and Chairs of the Electoral Commission. The pension entitlement at retirement is calculated in accordance with the Principal Civil Service Pension Scheme. Subsequent increases in pensions are paid by the Civil Service Superannuation Vote, not by the CF.

Notes 7 to 11 below are prepared on an accruals basis; references are given to notes 3 and 6a where there is a direct read across to them.

7. Unfunded pension arrangements

The CF pays as a Standing Service the pension benefits of those Royal Household (RH) employees who entered employment before 31 March 2001 under the Royal Household Pension Scheme (RHPS) and the pension benefits of those Members of the European Parliament (MEPs) who had accrued benefits before 2009 or who elected to continue to participate in the European Parliament (UK Representatives) Pension Scheme when EU-wide pension arrangements were set up in 2009. Both schemes are now closed to new members. Pension benefits are based on final pensionable salary and/or career average. The following data for pension liabilities, which are accounted for as unfunded defined benefit arrangements, is in accordance with IAS 19 *Employee Benefits*. The liabilities are measured on an actuarial basis using the Projected Unit Credit Method and discounted using the rate advised by HM Treasury. Actuarial gains and losses are recognised in full as they occur.

7a Actuarial assessment assumptions

Full actuarial assessments were performed by the Government Actuary's Department for the Royal Household Pension Scheme as at 31 March 2019 and European Parliament (UK Representatives) Pension Scheme as at 31 March 2020. The actuary rolled forward the results to determine the approximate positions as at 31 March 2021. The major assumptions used by the actuary for both schemes are shown below.

	At March 2021	At March 2020
	% per annum	% per annum
Rate of increase in salaries (MEPs)	N/A	4.60
Rate of increase in salaries (RH)	3.72	4.10
Discount rate	1.25	1.80

Life Expectancy

The assumed life expectancy at age 65 of MEP pensioners retiring in normal health was as follows:

	At 31 March 2021		At 31 March 2020	
	Men (years)	Women (years)	Men (years)	Women (years)
Current pensioners	23.8	25.2	23.7	25.1
Future pensioners	24.2	25.6	24.1	25.5

The assumed life expectancy at age 60 of Royal Household pensioners retiring in normal health was as follows:

	At 31 March 2021		At 31 March 2020	
	Men (years)	Women (years)	Men (years)	Women (years)
Current pensioners	26.9	28.6	26.8	28.5
Future pensioners	28.6	30.2	28.5	30.2

Three further assumptions were used by the actuary for the Royal Household Pension Scheme:

	At 31 March 2021 % per annum	At 31 March 2020 % per annum
Rate of increase in pension payments	2.22	2.35
Inflation assumption	2.22	2.35
Discount rate net of price inflation	-0.95	-0.50

7b 2020-21 Expenditure and income

	RH £'000	MEPs £'000	2020-21 Total £'000	2019-20 Total £'000
Expenditure				
Current service costs (including member contributions)	820	-	820	817
Interest on scheme liability	2,102	639	2,741	4,051
Total expenditure	2,922	639	3,561	4,868
Income				
Pension contributions receivable				
Employers' contributions	365	-	365	412
Employees' contributions	95	-	95	122
Total income	460	-	460	534
Net expenditure	2,462	639	3,101	4,334

7c Movement in liabilities during the year

	RH	MEPs	2020-21 Total	2019-20 Total
	£'000	£'000	£'000	£'000
Scheme Liability at beginning of the year	(118,699)	(36,606)	(155,305)	(142,823)
Current service cost	(725)	-	(725)	(695)
Past service cost	-	-	-	(500)
Employee contributions	(95)	-	(95)	(122)
Net individual pension transfers-out	-	-	-	-
Benefit payments	4,732	2,233	6,965	7,149
Other finance charges – interest	(2,102)	(639)	(2,741)	(4,051)
Total	(116,889)	(35,012)	(151,901)	(141,042)
Actuarial gain / (loss) (note 7e)	(5,194)	(2,474)	(7,668)	(14,263)
Liability at end of year	(122,083)	(37,486)	(159,569)	(155,305)

The liability at the end of the year is based on actuarial assessments as at 31 March 2021. The increase in liabilities is mainly due to a fall in the discount rate used.

7d Analysis of pension benefits paid by the Consolidated Fund

This table provides details of cash payments made by the CF in relation to Royal Household and MEPs' pensions as disclosed above. The pension increase element of MEPs' pensions is disclosed in the Civil Service Superannuation Annual Report & Account.

	RH	MEPs	2020-21 Total	2019-20 Total
	£'000	£'000	£'000	£'000
Total pension paid	4,109	2,799	6,908	6,690
Commutation and lump sum benefits	633	289	922	1,298
Net individual pension transfers-out	-	-	-	-
Total pension benefits paid	4,742	3,088	7,830	7,988
Less: increase element of MEPs' pensions disclosed in the Civil Service Superannuation Annual Report & Account	-	(856)	(856)	(826)
Total borne by the Consolidated Fund (note 6a)	4,742	2,232	6,974	7,162

7e Analysis of actuarial gains/(losses) on unfunded pension schemes

	RH	MEPs	2020-21 Total	2019-20 Total
	£'000	£'000	£'000	£'000
(Loss) / gain arising on scheme liabilities	2,470	-	2,470	898
Changes in assumptions underlying the present value of liabilities	(7,664)	(2,474)	(10,138)	(15,161)
Total	(5,194)	(2,474)	(7,668)	(14,263)

8. Other pensions

In addition to the pensions described in note 7, the CF also makes payments in relation to (i) pensions in respect of judicial services; (ii) Civil List pensions; and (iii) pensions for Parliamentary Officers for political and civil services provided. IAS 19 disclosures have not been provided for these payments either because they are reported in a separate account or because they are not material to the CF.

Pensions for judicial services – Liabilities in respect of this scheme are included in the Judicial Pension Scheme Annual Report & Account. Payments from the CF in respect of this scheme in 2020-21 amounted to £86.9 million (£83.1 million in 2019-20). These include pension payments made in respect of former Lord Chancellors.

Civil List ‘pensions’ – These are not pensions in the accepted sense. They represent awards for distinguished service to the arts and science and are payable for the life of the recipient. In total, a sum of £135,000 was paid from the CF in 2020-21 in respect of these pensions (£139,000 in 2019-20). This is not material to the CF.

Pensions for Parliamentary Officers for political and civil services provided - Relate to pensions for former Prime Ministers, Speakers, Comptrollers and Auditors General, Parliamentary Commissioners, Information Commissioners, Northern Ireland Chief Electoral Officers and Chairs of the Electoral Commission. In total a sum of £562,000 was paid from the CF in 2020-21 in respect of these pensions (£545,000 in 2019-20) and is not material to the CF.

	2020-21			2019-20		
	Former political office holders or surviving dependents	Other former office holders or surviving dependents	Total	Former political office holders or surviving dependents	Other former office holders or surviving dependents	Total
Number of pensioners	7	14	21	8	14	22
Pension paid from CF (£'000)	267	295	562	250	295	545

The actuarial liability falling on the CF across all these schemes has been assessed at £10.0 million at 31 March 2021 - £0.6 million attributable to holders of offices as at 31 March 2021 and £9.4 million attributable to former holders of offices or the surviving widows of former office holders (£9.6 million at 31 March 2020 - £0.4 million attributable to holders of offices as at 31 March 2020 and £9.1 million attributable to former holders of offices or the surviving widows of former office holders). This also is not material to the CF.

Prior to the Public Service Pensions Act 2013, former Prime Minister, Speaker and Lord Chancellor office-holders were entitled to a pension from the CF. The entitled pension was half of the entitled salary per year irrespective of length of service, payable for life after leaving office. Under the 2013 Act, pension arrangements for office-holders who took up post after 1 April 2015 are no longer being paid from the Consolidated Fund. This is now provided and paid entirely from the Parliamentary Contributory Pension Fund (PCPF).

The pension entitlement at retirement for other public office holders is calculated in accordance with the Principal Civil Service Pension Scheme rules and will be paid by the CF. Subsequent increases in pensions are paid by the Civil Service Superannuation vote, not by the CF.

The following public office holders who held posts during the year are entitled to a pension payable from the CF.

	Total accrued pension at age 65 at 31 March 2021 or end date	Real increase in pension at age 65	CETV at 31 March 2021 or end date	CETV at 31 March 2020 or start date	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Gareth Davies ¹ <i>Comptroller and Auditor General</i>	n/a	n/a	n/a	n/a	n/a
Rob Behrens ¹ <i>Parliamentary and Health Service Ombudsman</i>	n/a	n/a	n/a	n/a	n/a
Elizabeth Denham <i>Information Commissioner</i>	15 - 20	2.5 - 5	286	215	51
Virginia McVea <i>Northern Ireland Chief Electoral Officer</i>	5 - 10	0 - 2.5	101	71	21

¹ Gareth Davies –Comptroller & Auditor General and Rob Behrens - Parliamentary and Health Service Ombudsman have waived their entitlement to the pension due to them as post holders.

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are a member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV payment is made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. This disclosure is provided for completeness purposes only as the pensions payable from the CF are not transferable. The real increase in CETV excludes the effects of inflation and contributions paid by the member and uses common market valuation factors for the start and end of the period.

9. Coinage issued and redeemed

Amounts received by the Royal Mint from banks and other financial institutions for the face value of coins issued is payable to the CF and the face value of coins redeemed by the Royal Mint is a charge on the CF. The cost of minting the coinage is reported in the Treasury's Annual Report & Accounts.

Sums due to the Consolidated Fund:

	Notes	2020-21 £m	2019-20 £m
Balance at 1 April		12	43
Coins issued		38	139
Cash received by Consolidated Fund	3	(52)	(173)
Coins redeemed		(19)	(31)
Cash paid by Consolidated Fund	6a	22	34
Balance at 31 March		1	12

10. European Investment Bank (EIB) receivable

Article 150 of the Withdrawal Agreement provides for the return of the UK's paid-in capital in the EIB, as it stood at the point of withdrawal. The UK's paid-in capital on 31 January 2020 was €3,496 million and will be returned in 12 installments. The first instalment of €300 million (£272 million) was received in October 2020 and is included in note 3. In accordance with the clear line of sight principle, the EIB asset was transferred from the Consolidated Fund to HM Treasury in 2020-21 with the effective date of 31 March 2021 and will now be reported in the Treasury's Annual Report & Accounts.

11. Ongoing Litigation

In March 2018, a formal notice of infringement was received from the European Commission alleging that over the period 2011-2017, the UK did not take adequate steps to prevent losses to the EU budget from customs undervaluation fraud and that €2.7bn of customs duty is owed. Following correspondence between the UK and the Commission, the Commission referred the case to the European Court of Justice (CJEU). The government does not agree with the Commission's estimate of evaded duty and does not accept liability, and has fully contested the case. The written and oral hearing stages of the infringement have now concluded, with the case being heard at the CJEU on the 8 December 2020. The UK is currently awaiting the Advocate General's Opinion which is due on the 9 September with the judgment expected in early 2022.

12. Events after the Reporting Period

There are no events after the reporting period to report.

13. Related Parties

The CF has transactions with most government departments and central government bodies. The Treasury has a custodian role with the CF which is outside the scope of IAS 24.

14. Date of Authorisation for Issue of Account

These financial statements have been authorised for issue by the Accounting Officer on the same date as the Comptroller and Auditor General's Audit Certificate.

HM Treasury contacts

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If you require this information in an alternative
format or have general enquiries about
HM Treasury and its work, contact:

Correspondence Team
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Tel: 020 7270 5000

Email: public.enquiries@hmtreasury.gov.uk