

Consolidated Fund Account 2021-22

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

Consolidated Fund Account 2021-22

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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 His 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, 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 13.

Performance analysis

The outturn for the year shows total payments and total receipts of £760.0 billion each (2020-21: £1,064.4 billion), including a receipt of £134.2 billion (2020-21: £371.9 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 increased from £472.8 billion to £590.5 billion and underlying payments decreased from £844.7 billion to £724.6 billion:

	Receipts		Payments	
	2021-22 £m	2020-21 £m	2021-22 £m	2020-21 £m
Total receipts / payments	760,037	1,064,427	760,037	1,064,427
Less Advances to HMRC	(3,402)	(9,723)	(3,402)	(9,723)
Less Transactions with the Contingencies Fund	(32,001)	(209,999)	(32,000)	(210,000)
Less Deficit funding from the NLF	(134,160)	(371,874)	-	-
	590,474	472,831	724,635	844,704

The accounts of the Contingencies Fund are published separately.

Receipts

In 2021-22 tax receipts increased by £112.9 billion from £429.1 billion to £542.0 billion. More information is set out in the Annual Report and Accounts and Trust Statement prepared by HM Revenue & Customs. Miscellaneous receipts decreased by £1.4 billion from £33.8 billion to £32.4 billion. Further details can be found in note 3.

Payments

Supply payments to government departments decreased by £105.1 billion from £792.3 billion in 2020-21 to £687.2 billion in 2021-22. Note 4c sets out the cash supplied to the ten highest drawing departments during 2021-22. Further details on how Supply has been spent can be found in individual departmental Annual Reports & Accounts. Payments to the European Union (EU) decreased by £13.0 billion, from £13.1 billion in 2020-21 to £0.1 billion in 2021-22. Further details can be found in note 5.

EU withdrawal: the financial settlement

The European Union (Withdrawal Agreement) Act 2020 implements the Withdrawal Agreement. The UK's payments under the financial settlement are primarily covered under Treasury's budget, and detailed in the Treasury's Annual Report and Accounts. However, under the main financial provision of the Act, payment of customs duties on imports from outside the EU before the end of the transition period (and in 2020-21, obligations falling due before 31 March 2021, such as Budget contributions during the transition period) are met by the Consolidated Fund. It is currently anticipated that these payments will cease by the end of 2026.

Ongoing Litigation

In March 2018, the European Commission alleged that from 2011 to 2017 the UK did not take adequate steps to prevent customs undervaluation fraud and €2.7 billion of customs duty was therefore owed to the EU. Following correspondence between the UK and the Commission, the case was referred to the European Court of Justice (CJEU). The case was heard on 8 December 2021 and on 8 March 2022 the Court found against the UK on almost all liability points. However, the Court found that the Commission had failed to prove the specific sums which should have been paid by the UK, although it stated that the Commission would be entitled to recalculate the figure owed. The Commission's revised estimate of the liability has not yet been received.

Following the judgment, the UK is liable for both outstanding customs duties and interest. This could potentially be 16% plus Bank of England base rate and accrues in the absence of any payment. With this in mind, and in order to protect UK taxpayers from significant continued interest accrual, on 10 June 2022 the UK made a payment on the principal amount to the European Commission of €0.7 billion (£0.6 billion). This paid in full the amount the UK considers due regarding cancelled customs assessments to the end of 2014 and, in respect of the subsequent period, represents the amount the UK considers due at this time, in light of the CJEU judgment, thereby stopping interest accruing on this amount. The UK awaits the Commission's recalculation and will consider it carefully once received.

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.

Catherine Little
Accounting Officer
HM Treasury

10 October 2022

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 2021-22, 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 2021-22 (2020-21: 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 7-10 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 acting Permanent Secretary, Catherine Little, 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 she is aware, there is no relevant audit information of which the CF's auditors are unaware, and that she has taken all the steps that she ought to have taken as Accounting Officer to make herself 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 she 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 2021-22.

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 2021-22¹. 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 The previous Permanent Secretary, Tom Scholar, was Accounting Officer for the CF during 2021-22. Following his departure on 8 September 2022, I was appointed acting Permanent Secretary to the Treasury (alongside Beth Russell) and also Accounting Officer for the CF. Although I was not Permanent Secretary and Accounting Officer for the CF for the period that this report covers, Tom Scholar and I were both in post and we met regularly, and were therefore able to handover before he left the department. This has ensured appropriate assurances are in place to enable me to sign off this statement. 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) supports me and the Treasury's additional accounting officers in their oversight responsibilities on financial reporting, systems of internal control as well as managing risk and governance in relation to the Treasury Group's Annual Report and Accounts, Central Funds (Consolidated Fund, National Loans Funds, Contingencies Fund and Exchange Equalisation Account) and Whole of Government Accounts. In accordance with the ARC Handbook, the Committee provides independent challenge on the robustness of the mechanisms in place, and the evidence provided, to deliver the assurance needed by the Board and Departmental Accounting Officers.
- 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 Members of the Committee are appointed by the Chair along with the Principal Accounting Officer. The Chair of the Committee reports directly to me and is also a Non-Executive member of the Treasury Board.
- 1.7 The membership of the ARC at the 31 March 2022 was:
- Zarin Patel (chair from 1 January 2022) – Zarin is a Qualified Chartered Accountant and brings broad experience, both executive and Non-Executive, from the public and private sectors. She is an experienced ARC Chair, Board Director, and a previous Chief Financial Officer with expertise in managing transformation within complex digital-centric businesses and broad experience across finance, investment, procurement, large capex, audit and corporate finance, as well as general management. Zarin's other roles include: NED and Chair of ARC, Member of Environment, Social and Governance Committee at Pets at Home Group PLC (2021 to date); NED, member of ARC, Senior Independent Director at Post Office (2019 to date); NED, Chair of ARC, Member of Nominations and Remuneration Committee of Anglian Water Services Limited (2018 to date); Trustee and Chair of ARC at National Trust, (2018 to date); Independent Member, ARC at John Lewis Partnership PLC, (2015 – 2021); Independent Governor and Chair of ARC at the University of Arts, London (2006 – 2012) and NED, Chair of Remuneration Committee and Chair of Audit Committee at BBC Worldwide Ltd (2005-2013).

¹ <https://www.gov.uk/government/collections/hmt-annual-report>

- 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.
- Edward Braham - Edward is Chair of M&G, having previously been the Senior Partner of the international law firm, Freshfields and a leading international M&A lawyer. As the Senior Partner, his focus was particularly on strategic growth in the US, addressing all aspects of sustainability, including culture and diversity and building on the firm’s existing environmental, social and governance (ESG) commitments. Edward’s other roles include: Director of TheCityUK, Chair of its International Trade and Investment Group and member of its Nominations and Remuneration Committee; for the City of London Corporation: Mayoral and Shrieval Independent Panel, Innovation and Growth Advisory Board and Lord Mayor’s Appeal Advisory Board; Member of the Campaign Board at the Museum of London (2021 to date); Member of the Advisory Council at Capital as a Force for Good (2021 to date); Member of the Court of the Goldsmiths Company, Trustee of the Goldsmiths’ Charity and Chair of the Goldsmiths’ Centre, the leading educational and workshop charity for the UK trade.

The following members reached the end of their appointments in 2021-22:

- Richard Meddings CBE - Richard provided risk and banking experience 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. He chaired ARCs for a number of FTSE 100 companies within the Financial Services sector. Richard served as a NED on the Boards of 3i plc, Legal & General plc, Deutsche Bank AG and Jardine Lloyd Thompson. He stepped down as Chair of TSB Bank in November 2021. Richard serves on a number of Boards including as a NED on the Board of Credit Suisse Group AG, as Deputy Chair of the charity Teach First and as Chair on the Hastings Opportunity Area. Richard has been appointed as Chair of NHS England, starting in March 2022.
- Tim Score - Tim’s experience covered 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 LucasVarity PLC. Tim’s other roles include: Chair of The British Land Company plc. Member of the Board of Trustees of Royal National Theatre; Chair of the Audit Committee and interim independent NED of the Football Association; NED, Chair of Audit Committee and Senior Independent Director of Pearson plc; and NED and Chair of the Audit Committee of Bridgepoint Group plc.

1.8 The ARC met seven times during 2021-22. Pre-meeting discussions with the National Audit Office and Internal Auditors were held before each session. Attendance is outlined in the table below:

	Attendance
Zarin Patel ²	7/7
Richard Meddings ³	5/5
Tim Score ⁴	5/5
Sir Peter Estlin	6/7
Edward Braham ⁵	2/2

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.

² Zarin Patel, already a member of the ARC, was appointed as a NED and took over as chair of the ARC on 1 January 2022.

³ Richard Meddings CBE appointment finished on 31 December 2021.

⁴ Tim Score’s appointment finished on 31 December 2021

⁵ Edward Braham was appointed and began his first term on 1 January 2022

- 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 (two such reports in 2021-22, with recommendations subsequently addressed, and none in 2020-21).

Exchequer Funds Internal Audit (EFIA)

- 1.14 During 2020-21, Internal Audit for the CF was 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 was completed in year. From 1 April 2022 the provision of internal audit services for the CF transferred to the Government Internal Audit Agency (GIAA) in line with the services it provides across the core HM Treasury group.
- 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 2021-22. There were no matters arising from the work EFIA carried out in 2021-22 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 2020-21. 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 their 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 they take assurance from their senior management and formal controls, as well as from internal audit.

The planned internal audit programme was reviewed and endorsed HM Treasury's ARC and Accounting Officer. EFIA has delivered a programme of internal audit engagements throughout 2021-22 including a review of all types of payments and receipts across the CF, the controls over access to the ACME system used by EFA, its Risk Management processes and the processes for payroll payments.

Throughout the year, EFIA has continued to liaise with the EFA team and attend the HMT ARC meetings.

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 CF and other Exchequer Funds, ensuring the effective identification, assessment and management of operational risks, ensuring that they can be escalated as appropriate. The Framework is underpinned by Directors, Risk Groups and the Operations Committee, who are responsible for monitoring, challenging and reporting on performance against and risks to the Treasury's objectives. This year the department has further strengthened its risk reporting by reviewing its risk appetite and refreshing internal guidance in line with this. This has improved the consistency of risk reporting and escalation across the organisation and, by focusing senior attention on risks that exceed our appetite, drives informed decision making on mitigations.

2.3 The key updates on performance and risk for the Executive Management Board (EMB) and Treasury Board (Sub-Committee) (TB(SC)) are shared via the Quarterly Performance and Risk Report (QPRR), escalating critical issues and risks that exceed the department's risk appetite to enable senior managers to respond appropriately. 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).

2.4 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

2.5 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.

2.6 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.

- 2.7 During 2021-22, as restrictions related to Covid 19 were eased, EFA transitioned to a hybrid-working model in line with the rest of the department. There have been no significant changes to the internal control environment as a result of these transitions and a risk assessment undertaken did not identify any new risks or changes to risk status arising as a result of the moves to remote or hybrid working.
- 2.8 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.
- 2.9 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 embedded across the team to increase resilience. Technical training is also provided to staff to build the team's capability and to increase its resilience further. 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 2022 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. Payment instructions are computer-generated and are derived from underlying transaction records, minimising 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. EFA inputs these Net Supply limits onto the accounting system, which ensures that they are adhered to. Separately, in accordance with legislation 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.

- **Incorrect accounting:** Application controls exist within the IT system used to manage financial transactions and account for receipts and payments of the CF. Monthly management accounts for the CF are also produced and reviewed by the Treasury Accountant and are provided to me. The accounting for any unusual transactions is suitably considered.
- **Failure of IT systems:** Data centre provider NTT provides dual data centres, which offer a high level of resilience in terms of platform availability and network connectivity. EFA also has its own contingency plans in place. During 2021-22 the Treasury migrated all applications, including the EFA Treasury Management System, to the MS Azure environment. This migration has improved resilience and strengthened business continuity arrangements.
- **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 essential payments operations to continue. Business continuity arrangements are regularly reviewed and tested within the framework of the Treasury's corporate Business Continuity Plan and facilities.
- **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 management representatives from principal counterparties 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.⁶ EFA's own Data Handling Policy identifies risks specific to EFA.

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 2021-22 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 2021-22 accounts in draft and provided me with its views before I formally signed the accounts.
- 5.3 One issue identified during the year concerned payments made to the higher judiciary by CF standing service. While finalising the Judicial Pensions Regulations 2022 (the JPS 2022 regulations) for the new reformed judicial pension scheme, the Ministry of Justice identified that existing JPS 2015 regulations did not include the intended provision for higher judiciary pension payments accruing under that scheme to be funded by a CF standing service. As a result, retrospective provision was required to regularise £1.4 million of payments instructed by the Ministry of Justice to be made to a small number of the judiciary from the CF in the period 2016–2021. Action was taken in year by the Ministry of Justice to correct the legislative position. In addition, steps have been taken to ensure that this remains an isolated incident and further to increase the robustness of controls in this area, particularly in relation to HMT oversight of legislation in which new CF standing services are created.
- 5.4 There were no other internal control issues, including data related incidents, identified in 2021-22, and

⁶ Available at <https://www.gov.uk/government/publications/security-policy-framework>.

no significant new risks specific to the operational management and performance of the CF have been identified in the year. No ministerial directions relating to the CF's operations have been given in 2021-22.

5.5 In my opinion, the system of internal control was effective throughout the financial year and remains so on the date I sign this report.

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 (2020-21: £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 one contingent liability that falls outside the scope of IAS 37 as the possibility of an outflow of resources is remote. However, disclosure is necessary under Parliamentary accountability requirements.

UK Coins in Circulation

As at 31 March 2022 the estimated total face value of coins in circulation was £4,683 million (2020-21 £4,672 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 2021-22 was £13.2 million (2020-21 £22.2 million) (notes 6a and 9). The probability of a material liability in respect of coinage is considered remote.

The above statements have been audited.

Catherine Little
Accounting Officer
HM Treasury

10 October 2022

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 2022 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 to 10; and the notes 11 to 13, including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and the National Loans Act 1968.

In my opinion, the financial statements:

- properly present the Consolidated Fund's receipts and payments for the year ended 31 March 2022; and
- 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 income and expenditure 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 for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 Audit of Financial Statements and Regularity 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 is 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 financial statements nor my auditor's certificate and report. 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, based on the work undertaken in the course of the audit

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

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:

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by the Consolidated Fund 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 subject to audit are not in agreement with the accounting records and returns; 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:

- maintaining proper accounting records;
- ensuring the financial statements and Annual Report are properly presented in accordance with the applicable financial reporting framework;
- ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of the financial statements to be free from material misstatement, whether due to fraud or error; and

- 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.

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.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of the Consolidated Fund's accounting policies.
- 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 Consolidated Fund's controls relating to the Consolidated Fund's compliance with 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 a result of these procedures, I considered the opportunities and incentives that may exist within the Consolidated Fund for fraud and identified the greatest potential for fraud in the following areas: revenue recognition and posting of unusual journals. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of the Consolidated Fund's framework of authority as well as other legal and regulatory frameworks in which the Consolidated Fund operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in 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.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management and the Audit and Risk Committee concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; 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.

Other auditor's responsibilities

I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure 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

13 October 2022

National Audit Office

157-197 Buckingham Palace Road
Victoria
London, SW1W 9SP

Receipts and Payments Account for the year ended 31 March 2022

	Notes	2021-22 £m	2020-21 £m
Receipts			
Tax Revenue			
HMRC	2	542,051	429,125
Vehicle Excise Duty	2	7,101	6,948
Business Rates Retention/National Non-Domestic Rates	2	12,305	12,700
		561,457	448,773
Other Receipts			
Repayments from the Contingencies Fund		32,001	209,999
Miscellaneous receipts	3	32,419	33,781
Deficit met from the National Loans Fund		134,160	371,874
		760,037	1,064,427
Payments			
Supply Services			
	4	687,192	792,268
Standing Services			
Advances to HMRC in support of revenue	2	3,402	9,723
Payments to the National Loans Fund for net interest payments		37,056	39,041
Payments to the European Union	5	49	13,089
Other Standing Services	6a	338	306
		728,037	854,427
Issues to the Contingencies Fund		32,000	210,000
		760,037	1,064,427

The notes on pages 20 to 32 form part of this Account.

Catherine Little
Accounting Officer
HM Treasury

10 October 2022

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 7-10 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 7-10 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 His Majesty's Revenue and Customs (HMRC), the Driver and Vehicle Licensing Agency (DVLA) and the Department for Levelling Up, Housing and Communities (DLUHC). 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 £3.4 billion was advanced from the CF for this purpose in 2021-22 (£9.7 billion in 2020-21).

3. Miscellaneous receipts

	Notes	2021-22 £m	2020-21 £m
Consolidated Fund Extra Receipts (CFERs) ¹		20,598	25,069
Trust Statement revenue ²		10,988	7,002
United Kingdom coinage issued	9	104	52
Crown Estate surplus revenue		300	247
Current year over-issues of Supply repaid	4	-	-
Prior year over-issues of Supply repaid	4	5	826
European Investment Bank		-	272
Miscellaneous		424	313
Total		32,419	33,781

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	2021-22			2020-21
	CFERs £m	Trust Statement £m	Total £m	Total £m
1. HM Treasury	11,387	444	11,831	18,529
2. Department for Business, Energy and Industrial Strategy	725	5,883	6,608	3,273
3. BBC Licence Fee	-	3,829	3,829	3,665
4. NHS Pension Scheme	3,642	-	3,642	3,035
5. Department for Levelling Up, Housing and Communities	1,989	-	1,989	1,242
	17,743	10,156	27,899	29,744
Other	2,855	832	3,687	2,327
Total	20,598	10,988	31,586	32,071

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 £7.2 billion excess cash from Bank of England Asset Purchase Facility Fund (2020-21: £13.7 billion), £3.4 billion from Government financial sector interventions (2020-21: £1.1 billion), £0.5 billion from donation of business rates relief (2020-21: £1.5 billion) and £0.7 billion from other items (2020-21: £2.2 billion). Further information can be found in the Treasury's 2021-22 Annual Report & Accounts and the Treasury's 2021-22 Trust Statement.

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

	Notes	2021-22	2020-21
Supply Issues		£m	£m
For current year		686,443	788,549
For previous year		749	3,719
Supply Services issued		687,192	792,268
Current year over-issues of Supply repaid	3	-	-
Prior year over-issues of Supply repaid	3	(5)	(826)
Net Supply Services issued		687,187	791,442

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

4b Supply Services analysed by period

Year for which Supply granted	2021-22	2020-21	2019-20
	£m	£m	£m
Positive Net Cash Requirement	760,697	878,207	541,781
Negative Net Cash Requirement	(3,904)	(3,606)	(9,099)
Excess Vote	n.a	-	3,712
Total Net Supply granted by Parliament	756,793	874,601	536,394
Surplus not required (as reported)	n.a	(103,229)	(10,899)
Revised Total Net Cash Requirement outturns reported by government departments	n.a	771,372	525,495

Analysed by Year of Payment/(Receipt):

2019-20	Issues made in year		520,584
	Current year over-issues surrendered in cash		(63)
	Prior year issues applied to a subsequent year		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)	-
2021-22	Issues made in year	686,443	749
	Current year over-issues surrendered in cash	-	-
	Prior year issues applied to a subsequent year	23,389	(23,389)
	Prior year over- issues surrendered in cash	(5)	-
Total		n.a	771,372
			525,495

Note 4b analyses the receipts and payments of Supply according to the year for which the Supply was granted. The Net Cash Requirement for 2021-22 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 2022-23 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 2021-22. Details of how Supply has been spent can be found in each of the respective departmental Annual Reports and Accounts.

Cash Supplied by the Consolidated Fund

Department	2021-22 £m	2020-21 £m
1. Department of Health and Social Care	163,200	166,203
2. Department for Work and Pensions	114,478	109,828
3. Department for Education	92,694	89,975
4. Ministry of Defence	43,879	41,748
5. Scotland Office	43,133	43,383
6. H.M. Revenue & Customs	32,150	105,914
7. Dep for Business, Energy and Industrial Strategy	31,815	49,187
8. Department for Transport	30,544	36,144
9. Department for Levelling Up, Housing and Communities	29,750	40,057
10. Wales Office	19,948	21,805
	601,591	704,244
Other	85,601	88,024
Total	687,192	792,268

5. Payments under the European Union (EU) Withdrawal Agreement Financial Settlement

The financial settlement represents a settlement of the UK's financial commitments to the EU and the EU's financial commitments to the UK, which result from the UK's participation in the EU budget, and other commitments relating to our former EU membership. When the Withdrawal Agreement was signed on 24 January 2020, it put the financial settlement into legal form, in the context of an overall agreement under Article 50 and the framework for the Future Relationship. The European Union (Withdrawal Agreement) Act 2020 implements the Withdrawal Agreement.

Accordingly, payment of customs duties on imports from outside the EU before the end of the transition period (and in 2020-21, obligations falling due before 31 March 2021, such as Budget contributions during the transition period) are met by the Consolidated Fund.

	2021-22 £m	2020-21 £m
Custom duties	49	2,159
VAT-based contribution	-	1,953
GNI-based contribution	-	12,762
	49	16,874
UK abatement	-	(3,785)
Total payment to the EU	49	13,089

The remainder of the UK's payments under the financial settlement are primarily covered by Treasury's budget and detailed in the Treasury's Annual Report and Accounts⁷. In addition, the Government presents a holistic account of the financial settlement in the annual statement to Parliament about the EU Budget⁸.

⁷ <https://www.gov.uk/government/collections/hmt-annual-report>

⁸ <https://www.gov.uk/government/collections/eu-annual-statement>

6a Other Consolidated Fund Standing Services payments

	Notes	2021-22 £'000	2020-21 £'000
Annuities and Pensions			
Annuity to the Duke of Edinburgh ^{1&2}		26	397
Royal Household Pension Scheme	7d	4,233	4,742
Pensions for Judicial Services ³	8	91,406	86,871
Members of the European Parliament pensions	7d	2,241	2,232
Political and Public Service pensions	8	562	562
Civil List pensions	8	139	135
Salaries and Allowances			
Courts of Justice ⁴		166,133	166,981
Political and Public	6b	1,438	1,399
Miscellaneous Services			
Election and referendum expenses		58,616	20,245
Royal Mint (redeemed coinage)	9	13,274	22,199
Miscellaneous refunds		1	64
Total		338,069	305,827

¹ The annuity to the Duke of Edinburgh was £359,000 per calendar year and was paid monthly in advance. Following the Duke's death in April 2021 payments ceased and £17,966 was repaid to the CF. This amount is included in note 3 "Miscellaneous".

² The timing of payments in 2021 was varied to meet expenditure needs, resulting in higher costs being attributed to the 2020-21 financial year.

³ Pensions for Judicial Services includes pensions of previous Lord Chancellors.

⁴ Courts of Justice salaries includes the salary of the Lord Chancellor.

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:

	2021-22 £	2020-21 £
Holders of Political Posts - payments	402,302	421,570
Holders of Political Posts - employers' national insurance	46,873	49,291
Public Office holders - payments	881,844	825,090
Public Office holders - employers' national insurance	107,329	102,995
Total	1,438,348	1,398,946

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

	2021-22	2020-21
	Salary	Salary
	£	£
The Rt Hon Jeremy Corbyn MP <i>Leader of the Opposition – HOC (to April 2020)</i>	-	461
Sir Keir Starmer ¹ <i>Leader of the Opposition – HOC (from April 2020)</i>	55,335	57,310
The Rt Hon Baroness Smith of Basildon ² <i>Leader of the Opposition – HOL</i>	107,917	107,917
Rt Hon Nicholas Brown MP <i>Opposition Chief Whip – HOC (to May 2021)</i>	3,695	34,367
The Rt Hon Sir Alan Campbell MP <i>Opposition Chief Whip – HOC (from May 2021)</i> <i>Deputy Opposition Chief Whip – HOC (to May 2021)</i>	32,827	20,043
Lilian Greenwood MP <i>Deputy Opposition Chief Whip – HOC (from May 2021)</i>	17,672	-
The Rt Hon Lord McAvoy ² <i>Opposition Chief Whip – HOL (to May 2021)</i>	17,088	102,529
The Rt Hon Lord Kennedy <i>Opposition Chief Whip – HOL (from June 2021)</i>	68,825	-
Mark Tami MP <i>Opposition Pairing Whip – HOC</i>	20,043	20,043
The Rt Hon Sir Lindsay Hoyle MP <i>Speaker – HOC</i>	78,900	78,900
	402,302	421,570
Rt Hon Robert Buckland <i>Lord Chancellor (to September 2021)</i>	48,809	67,505
Rt Hon Dominic Raab <i>Lord Chancellor (from September 2021)</i>	33,753	-
	82,562	67,505

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.

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

	2021-22	2020-21
	Salary	Salary
	£	£
Gareth Davies ¹ <i>Comptroller and Auditor General</i>	220,000	220,000
Rob Behrens, CBE ² <i>Parliamentary and Health Service Ombudsman</i>	171,125	171,125
Virginia McVea <i>Northern Ireland Chief Electoral Officer</i>	98,989	100,124
Elizabeth Denham ³ <i>Information Commissioner (to Nov 2021)</i>	129,311	180,000
John Edwards ^{3&4} <i>Information Commissioner (from Jan 2022)</i>	65,524	-
Lord Michael Bichard <i>Chair of the National Audit Office (to Jan 2021)</i>	-	30,968
Dame Fiona Reynolds <i>Chair of the National Audit Office (from Jan 2021)</i>	40,000	9,032
Sir John Holmes ^{5&6} <i>Electoral Commission Chair (to Dec 2020)</i>	-	59,838
John Pullinger CB ⁵ <i>Electoral Commission Chair (from May 2021)</i>	65,821	-
Anna Carragher ⁵ <i>Electoral Commissioner (fee based) (to Dec 2020)</i>	-	5,719
Dame Sue Bruce ⁵ <i>Electoral Commissioner (fee based)</i>	21,094	1,560
Alasdair Morgan ⁵ <i>Electoral Commissioner (fee based)</i>	8,557	6,905
Robert Vincent CBE ⁵ <i>Electoral Commissioner (fee based)</i>	8,358	7,721
Professor Dame Elan Closs Stephens CBE ⁵ <i>Electoral Commissioner (fee based)</i>	14,658	10,348
Sarah Chambers ⁵ <i>Electoral Commissioner (fee based)</i>	6,965	5,524
Joan Walley ⁵ <i>Electoral Commissioner (fee based)</i>	7,562	11,888

Alex Attwood ⁵ <i>Electoral Commissioner (fee based) (from Feb 2021)</i>	12,537	-
Dr Katy Radford ⁵ <i>Electoral Commissioner (fee based) (from Sept 2021)</i>	3,781	-
Lord Gilbert of Panteg ⁵ <i>Electoral Commissioner (fee based)</i>	7,562	4,338
	881,844	825,090

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

⁴ Current year figure includes an overpayment of £16,599 that was recovered in year and is included in note 3 "Miscellaneous".

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

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 10 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

A full actuarial assessment was performed by the Government Actuary's Department for the Royal Household Pension Scheme as at 31 March 2022. For the European Parliament (UK Representatives) Pension Scheme, the actuary rolled forward the results of the full actuarial assessment as at 31 March 2020 to determine the approximate position as at 31 March 2022. The major assumptions used by the actuary for both schemes are shown below.

	At March 2022	At March 2021
	% per annum	% per annum
Rate of increase in salaries (MEPs)	N/A	N/A
Rate of increase in salaries (RH)	4.15	3.72
Discount rate	1.55	1.25

Life Expectancy

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

	At 31 March 2022		At 31 March 2021	
	Men (years)	Women (years)	Men (years)	Women (years)
Current pensioners	23.5	25.1	23.8	25.2
Future pensioners	23.9	25.5	24.2	25.6

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

	At 31 March 2022		At 31 March 2021	
	Men (years)	Women (years)	Men (years)	Women (years)
Current pensioners	27.0	28.6	26.9	28.6
Future pensioners	28.7	30.3	28.6	30.2

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

	At 31 March 2022 % per annum	At 31 March 2021 % per annum
Rate of increase in pension payments	2.90	2.22
Inflation assumption	2.90	2.22
Discount rate net of price inflation	-1.30	-0.95

7b 2021-22 Expenditure and income

	RH £'000	MEPs £'000	2021-22 Total £'000	2020-21 Total £'000
Expenditure				
Current service costs (including member contributions)	761	-	761	820
Interest on scheme liability	1,504	455	1,959	2,741
Total expenditure	2,265	455	2,720	3,561
Income				
Pension contributions receivable				
Employers' contributions	311	-	311	365
Employees' contributions	79	-	79	95
Total income	390	-	390	460
Net expenditure	1,875	455	2,330	3,101

7c Movement in liabilities during the year

	RH	MEPs	2021-22 Total	2020-21 Total
	£'000	£'000	£'000	£'000
Scheme Liability at beginning of the year	(122,083)	(37,486)	(159,569)	(155,305)
Current service cost	(682)	-	(682)	(725)
Past service cost	-	-	-	-
Employee contributions	(79)	-	(79)	(95)
Net individual pension transfers-out	-	-	-	-
Benefit payments	4,221	2,241	6,462	6,965
Other finance charges – interest	(1,504)	(455)	(1,959)	(2,741)
Total	(120,127)	(35,700)	(155,827)	(151,901)
Actuarial gain / (loss) (note 7e)	(4,806)	1,705	(3,101)	(7,668)
Liability at end of year	(124,933)	(33,995)	(158,928)	(159,569)

The liability at the end of the year is based on actuarial assessments as at 31 March 2022. The increase in Royal Household pension liability is mainly due to changes in the underlying financial assumptions whilst the decrease in the MEP pension liability is mainly the result of the benefits paid over the year.

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	2021-22 Total	2020-21 Total
	£'000	£'000	£'000	£'000
Total pension paid	4,070	2,899	6,969	6,908
Commutation and lump sum benefits	163	243	406	922
Net individual pension transfers-out	-	-	-	-
Total pension benefits paid	4,233	3,142	7,375	7,830
Less: increase element of MEPs' pensions disclosed in the Civil Service Superannuation Annual Report & Account	-	(901)	(901)	(856)
Total borne by the Consolidated Fund (note 6a)	4,233	2,241	6,474	6,974

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

	RH	MEPs	2021-22 Total	2020-21 Total
	£'000	£'000	£'000	£'000
(Loss) / gain arising on scheme liabilities	1,673	-	1,673	2,470
Changes in assumptions underlying the present value of liabilities	(6,479)	1,705	(4,774)	(10,138)
Total	(4,806)	1,705	(3,101)	(7,668)

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 2021-22 amounted to £91.4 million (£86.9 million in 2020-21). 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 £139,000 was paid from the CF in 2021-22 in respect of these pensions (£135,000 in 2020-21). 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 2021-22 in respect of these pensions (£562,000 in 2020-21) and is not material to the CF.

	2021-22			2020-21		
	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	7	14	21
Pension paid from CF (£'000)	267	295	562	267	295	562

The actuarial liability falling on the CF across all these schemes has been assessed at £9.4 million at 31 March 2022 - £0.3 million attributable to holders of offices as at 31 March 2022 and £9.1 million attributable to former holders of offices or the surviving widows of former office holders (£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). 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 2022 or end date	Real increase in pension at age 65	CETV at 31 March 2022 or end date	CETV at 31 March 2021 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 (to Nov 2021)</i>	20-25	0-2.5	332	286	30
John Edwards <i>Information Commissioner (from Jan 2022)</i>	0-5	-	15	-	10
Virginia McVea <i>Northern Ireland Chief Electoral Officer</i>	10-15	0-2.5	132	101	18

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	2021-22 £m	2020-21 £m
Balance at 1 April		1	12
Coins issued		104	38
Cash received by Consolidated Fund	3	(104)	(52)
Coins redeemed		(13)	(19)
Cash paid by Consolidated Fund	6a	13	22
Balance at 31 March		1	1

10. Ongoing Litigation

In March 2018, the European Commission alleged that from 2011 to 2017 the UK did not take adequate steps to prevent customs undervaluation fraud and €2.7 billion of customs duty was therefore owed to the EU.

Following correspondence between the UK and the Commission, the case was referred to the European Court of Justice (CJEU). The case was heard on 8 December 2021 and on 8 March 2022 the Court found against the UK on almost all liability points. However, the Court found that the Commission had failed to prove the specific sums which should have been paid by the UK, although it stated that the Commission would be entitled to recalculate the figure owed. The Commission's revised estimate of the liability has not yet been received.

Following the judgment, the UK is liable for both outstanding customs duties and interest. This could potentially be 16% plus Bank of England base rate and accrues in the absence of any payment. With this in mind, and in order to protect UK taxpayers from significant continued interest accrual, on 10 June 2022 the UK made a payment on the principal amount to the European Commission of €678,372,885.63 (£578,903,408.60). This paid in full the amount the UK considers due regarding cancelled customs assessments to the end of 2014 and, in respect of the subsequent period, represents the amount the UK considers due at this time, in light of the CJEU judgment, thereby stopping interest accruing on this amount. The UK awaits the Commission's recalculation and will consider it carefully once received.

11. Events after the Reporting Period

There are no events after the reporting period to report.

12. 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.

13. 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 Certificate and Report.

HM Treasury contacts

This document can be downloaded from www.gov.uk

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