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# **Supply Estimates**

## **2000–01**

# **Statement of Excesses**

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**Supply Estimates**  
**2000–01**

for the year ending 31 March 2001

**Statement of Excesses**

*Presented by Command of Her Majesty*  
*Ordered by the House of Commons to be printed*  
*1st March 2002*



# Introduction

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1. This Statement of Excesses sets out the amounts of money which the Government requests Parliament to grant in Excess Votes.
2. Excess Votes are presented if expenditure from any Vote has exceeded the provision in main, or Revised and Supplementary Estimates approved by Parliament and if there had been no opportunity to seek a further Supplementary Estimate before the end of the relevant financial year.
3. Before any Excess Votes are sought, the Appropriation Account for each Vote is prepared by the relevant department. The Accounts are examined and certified by the Comptroller and Auditor General and laid before the House of Commons. A report is made in respect of each Vote where the amount authorised by Parliament has been exceeded.
4. Parliament votes both gross provision and the amount of receipts which a department may appropriate in aid of expenditure. An Excess Vote must therefore be sought even though there are surplus receipts available to be applied as appropriations in aid of the excess expenditure. In that case, the Excess Vote is for a token sum of £1,000 only.
5. A Statement of Excesses is normally presented to Parliament in February, some 10 months after the end of the financial year to which it relates. Under House of Commons Standing Orders, if the Committee of Public Accounts has reported that it sees no objection to the sums necessary being provided by Excess Vote, the question on the motion to approve them is put without debate. Issues from the Consolidated Fund in respect of Excess Votes are given legislative authority in the spring Consolidated Fund Act in March.
6. Part I shows the net total amount of Excess Votes. Part II provides a Statement of Excesses for each Vote concerned and Part III provides an explanation of the reasons for each excess.

2000–01

STATEMENT OF EXCESSES

Part I

£3,097,059.33

STATEMENT of the sums required to be voted in order to make good excesses on certain grants for the year ended 31 March 2001

Part II

Summary of 2000–01 Statement of Excesses by Vote

Vote Title	£	Amount to be voted £
<b>II Department of Health</b>		
3 National Health Service (superannuation, etc) England and Wales		
Excess expenditure	30,355,157.15	
Less net savings on other subheads	<u>30,354,157.15</u>	
		1,000.00
<b>VII Foreign and Commonwealth Office</b>		
1 Foreign and Commonwealth Office		
Excess expenditure	1,574,270.69	
Less net savings on other subheads	<u>1,204,214.36</u>	
		370,056.33
<b>IX Trade and Industry and Export Credits Guarantee Department</b>		
4 British Trade International		
Excess expenditure	2,985,284.00	
Less net savings on other subheads	<u>260,281.00</u>	
		2,725,003.00
<b>XVI Departments of the Chancellor of the Exchequer</b>		
6 Inland Revenue: Valuation Office (Executive Agency)		
Excess expenditure	408,717.71	
Less net savings on other subheads	<u>407,717.71</u>	
		1,000.00

TREASURY CHAMBERS

February 2002

PAUL BOATENG

# Part III Explanations

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**Department of Health  
(Class II, Vote 3)**

The overspend of £30,355,157.15 incurred by the NHS Pensions Agency was caused by a change in the method used to account for early retirement costs, together with higher than forecast expenditure in the final month of the financial year. The cost of early retirements of NHS staff are met jointly by the NHS Pensions Agency and the retiree's employer. Prior to 2000-01, the Agency only charged its share of the early retirement cost, that is net of the employer's reimbursement, to the appropriation account. In 2000-01, to coincide with the introduction of resource accounting, the Agency changed its accounting for early retirement costs so that the full amount paid to the retiree and the recovery of the employer's share of these costs are shown in the appropriation account. The Agency's Estimate did not take account of this change and was prepared on the basis of charging the appropriation account with net cost of early retirements. During the year, the Agency monitored expenditure and compiled both detailed and summary information to help assess its financial position. However, in March 2001 the Agency made higher than forecast payments associated with people transferring out of the NHS pension scheme into other schemes, and to clear residual liabilities to local authorities. The effect of this late increase in spending, when combined with the impact of the change in accounting for early retirement costs, caused the Agency to breach the expenditure level authorised by Parliament. The authority of Parliament is sought to authorise £30,354,157.15 of the savings on the Vote to be applied to meeting the excess leaving a token sum of £1,000 to be voted as a further Supply Grant.

**Foreign and  
Commonwealth Office  
(Class VII, Vote 1)**

The overspend of £1,574,270.69 occurred because the Department's Overseas Accounts Section failed to charge certain expenditure items to the appropriation account during the year. In March 2001, the Department made a payment of £1.1 million to the UN Mission for Ethiopia and Eritrea. The payment was recorded initially in a suspense account pending creation of a new account code to enable the transaction to be properly recorded in the appropriation account. Subsequently, the Department's Overseas Accounts Section failed to transfer this amount from the suspense account into the appropriation account. This meant that the Department's expenditure for the year under Subhead B4: Peacekeeping, was understated by £1.1 million. Following discovery of the error, the Department undertook a review of all suspense accounts to identify other items that should have been cleared to the appropriation account. As a consequence of this review, further adjustments from suspense were identified, bringing the total overspend to £1.6 million. The authority of Parliament is sought to authorise £1,204,214.36 of the savings on the Vote to be applied to meeting the excess leaving a sum of £370,056.33 to be voted as a further Supply Grant.

**British Trade  
International  
(Class IX, Vote 4)**

The overspend of £2,985,284 arose because British Trade International failed to monitor expenditure properly during the year. In 2000-01 British Trade International used the Department of Trade and Industry's accounting system as the basis for its accounting and financial monitoring. Financial reports drawn from the Department's system, based on transactions processed, indicated a shortfall against the 2000-01 Estimate. However, in preparing its forecast of outturn, British Trade International failed to allow for a large number of transactions that were not processed and recorded in the financial accounts until the end of the financial year. These transactions included payments made by regional offices, which were authorised and managed outside the main accounting system. Only when these payments were brought to account did British Trade International appreciate that expenditure was in excess of Vote provision. The authority of Parliament is sought to authorise £260,281.00 of the savings on the Vote to be applied to meeting the excess leaving a sum of £2,725,003.00 to be voted as a further Supply Grant.

**Inland Revenue:  
Valuation Office  
(Executive Agency)  
(Class XVI, Vote 6)** The overspend of £408,717.71 arose because of weaknesses in the Valuation Office's forecasting model which resulted in some £3 million of expenditure not being taken into account in the Agency's forecast outturn. Thus, while the forecasting model continued to project an underspend against the Estimate, the Agency discovered that it had in fact overspent against the Estimate when it came to prepare the appropriation account. An investigation by the Agency found that the difference between the forecast and the Vote outturn was caused by an error introduced into the forecasting model in February 2001 which led to an under-reporting of accommodation costs on buildings jointly occupied with other bodies. The authority of Parliament is sought to authorise £407,717.71 of the savings on the Vote to be applied to meeting the excess leaving a token sum of £1,000 to be voted as a further Supply Grant.





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