

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

Consolidated Fund Account 2006-2007

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scrutinises public spending
on behalf of Parliament.

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House of Commons. He is the head of the
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Foreword

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 on the CF. The accounts for the CF and NLF are now published separately.

Both the CF and NLF are administered by the Treasury, with the bank accounts maintained at the Bank of England. The CF can therefore be regarded as the central government's current account, whereas the NLF can be regarded as the 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 and therefore the net liabilities of the NLF represent a charge on the CF.

Scope of the Consolidated Fund Account

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 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 & Customs (HMRC);
- other receipts paid over by departments (Consolidated Fund Extra Receipts);
- repayments from the Contingencies Fund; and
- balancing payments from the NLF when daily payments by the CF exceed its receipts.

The payments of the CF are mainly for

- Supply Services, which are issues to finance expenditure voted annually by Parliament on the basis of the Estimates submitted to it by the Government;
- Standing Services, which are charges exempt from any need to be voted annually by Parliament because it has by statute permanently authorised the payments; and
- issues to the Contingencies Fund.

Summary of Outturn for 2006-2007

The outturn for the year shows payments and receipts of £408 billion (2005-2006 – £392 billion), including £30.6 billion (2005-2006 – £46.2 billion) from the NLF to cover what would have been the deficit for the year. Both payments and receipts include advances to HMRC to cover daily revenue shortfalls, as reported in Note 6. If this factor, transactions with the Contingencies Fund and deficit funding from the NLF are excluded, underlying receipts increased by 10.1 per cent from £336.0 billion to £369.8 billion, whilst underlying payments increased by 4.6 per cent from £363.9 billion to £380.5 billion. This caused underlying net payments to fall from £27.9 billion to £10.7 billion. In addition, the payments made by the CF to meet the NLF's net interest payments increased from £18.3 billion to £19.9 billion. As a result, the net deficit on the CF, which was financed by transfers from the NLF, decreased from £46.2 billion to £30.6 billion. Details are shown in the following table.

| | 2006-2007 £ billion | 2005-2006 £ billion |
|--|--------------------------------------|------------------------|
| Receipts | | |
| Tax revenue | | |
| HMRC (net of Consolidated Fund advances) | 321.4 | 299.5 |
| Other | 24.8 | 23.7 |
| Total | 346.2 | 323.2 |
| Other receipts* | 23.6 | 12.8 |
| Total underlying receipts | 369.8 | 336.0 |
| Payments | | |
| Supply Services | 371.6 | 355.4 |
| Standing Services** | 8.9 | 8.5 |
| Total underlying receipts | 380.5 | 363.9 |
| Net underlying payments | 10.7 | 27.9 |
| Payments to NLF for net interest | 19.9 | 18.3 |
| Deficit met By NLF | 30.6 | 46.2 |

* Excludes repayments from Contingencies Fund and deficit funding from NLF

** Excludes revenue advances to HMRC and payments to NLF for net interest

Preparation of the account

The Account is prepared under section 21 (1) of the National Loans Act 1968. The Act requires the Treasury to prepare an account for the CF for each financial year in such form and containing such information as the Treasury considers appropriate.

The CF Account remains on a cash basis, as an account of payments and receipts. Notes to the Account provide detail on Standing Service payments and receipts. Certain transactions and contingent liabilities, borne directly by the CF, cannot be brought to account in other statutory accounts and are disclosed more appropriately in the CF Account. These items include pensions paid directly from the CF, coinage issued and redeemed and the UK's capital subscription to the European Investment Bank. This additional information is disclosed on an accruals basis, to assist preparation of Whole of Government Accounts, in Notes 7-11 to the CF Account.

There is no direct read-across between the accruals-based Notes 7-11 and the cash-based CF receipts and payments account.

Audit

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Consolidated Fund's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the Consolidated Fund's auditors are unaware.

The Account is audited by the Comptroller and Auditor General under the requirements of the National Loans Act 1968.

Nicholas Macpherson
Accounting Officer
HM Treasury

10 July 2007

Statement of Accounting Officer's responsibilities

Under section 21 (1) of the National Loans Act 1968 the Treasury is required to prepare an account relating to the Consolidated Fund for each financial year in such form and containing such information as the Department considers appropriate.

The Consolidated Fund Account is prepared on a cash basis and must properly present the receipts and payments for the financial year. As explained in paragraph 9 of the Foreword, Notes 7-11 to the Account disclose certain information relating to the Consolidated Fund on an accruals basis, to assist preparation of Whole of Government Accounts.

The Treasury has appointed Nicholas Macpherson, its Permanent Secretary, as Accounting Officer for the Fund, with overall responsibility for its operation, for preparing the annual account and for transmitting it to the Comptroller and Auditor General.

In preparing the Account the Accounting Officer is required to observe the relevant accounting and disclosure requirements in so far as they are relevant to the Account, and apply suitable accounting policies on a consistent basis.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which he is answerable, and for the keeping of proper records, are set out in the Accounting Officers' Memorandum issued by the Treasury and published in 'Government Accounting'.

Statement on Internal Control

Scope of responsibility

As Accounting Officer for the Consolidated Fund, I am responsible for maintaining a sound system of internal control to support the organisation's policies, aims and objectives and safeguard public funds and assets. I am also obliged to conduct a review of the effectiveness of the system of internal control. This review covers all controls, including financial, operational and compliance controls and risk management. The Consolidated Fund is managed generally within the framework of the Treasury's system of internal control. This framework includes resource allocation and utilisation and the management of risks across the Treasury's business. In addition, there are further controls that are specific to the management of the Consolidated Fund, as detailed below.

The purpose of the system of internal control

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance against material misstatement or loss. The system of internal control has been in place in Exchequer Funds and Accounts (EFA) for the year ending 31 March 2007 and up to the date of the approval of the annual account, and accords with Treasury guidance. Within this overall departmental framework, the additional controls in place for the management of the Consolidated Fund are set out below.

Capacity to handle risk

Risk management is key to all processes within Exchequer Funds and Accounts, including that of business continuity resilience planning for those public funds for which Exchequer Funds and Accounts is responsible.

Staff in Exchequer Funds and Accounts working on the Consolidated Fund are trained and equipped to manage risk in a way appropriate to their authority and duties. Guidance on risk management is available to all staff on the intranet and individuals' objectives reflect the need to manage risks, particularly those related to business continuity. Business continuity resilience is regularly tested locally and with business partners, and lessons learned feed into improved business continuity processes.

The risk and control framework

During the year, responsibility for supporting me as Accounting Officer in matters relating to oversight of the governance, internal control and risk management processes was brought under the supervision of the Exchequer Funds Audit Committee. The Exchequer Funds Audit Committee performs this role for the Accounting Officers of each of the Exchequer Funds, which are the Debt Management Account, Public Works Loan Board, Commissioners for the Reduction of the National Debt, Exchange Equalisation Account, National Loans Fund, Consolidated Fund and the Contingencies Fund. Members of the Committee are appointed for periods of up to three years, extendable by no more than one additional three-year period. The Chair of the Committee reports directly to me. The current membership of the Committee is

- Colin Price, Chair, non-executive member of the Debt Management Office's Managing Board, until December 2006 Chair of the Lord Chancellor's Strategic Investment Board and formerly Global Pension Fund Adviser/Finance Director at Shell Pensions Management Services Limited;
- Brian Larkman, non-executive member of the Debt Management Office's Managing Board and formerly Global Head of Money Markets at the Royal Bank of Scotland PLC; and
- Mark Clarke, Director General Finance and Strategy at the Department of Trade and Industry.

The Exchequer Funds Audit Committee met for the first time on 23 January 2007 and again on 29 March 2007 and 26 June 2007. In future, the Committee will meet four times a year.

The key risks in managing the Consolidated Fund are

- incorrect accounting and irregularity of transactions;
- failure of IT systems;
- failure to provide an effective service in adverse circumstances, including disaster situations; and
- failure of principal counter-parties to provide agreed services.

Controls in 2006-2007

The risk management strategy includes periodic horizon scanning to update the risk register and identify any changes in risk exposure, to evaluate the change and identify appropriate mitigating actions.

The elements of the risk and control Assurance Framework are

- policy and procedures manuals as well as job instructions are regularly updated and reflect the functionality of the IT system. They are readily accessible to all operational staff;
- clear separation of duties within EFA and IT system controls within ACME that prevent those initiating transactions also authorising payment instructions to the Bank of England;
- clear separation of duties between EFA and NAO, who are required by statute to authorise all payments from the Consolidated Fund;
- computer-generated payment instructions derived from underlying transaction records, to minimise the risk of keying errors;
- the IT (ACME) system's clear and comprehensive audit trail, to which NAO have real time access;
- to ensure business continuity resilience in key areas, staff within EFA are trained to do a range of jobs and are required to swap jobs periodically to keep their knowledge up to date;
- well developed Service Level Agreements covering financial relationships, standards and requirements for the interchange of information with all principal counterparties;
- the existence of application controls within the IT system used to manage financial transactions and account for receipts and payments on the Consolidated Fund;
- risks that impact upon EFA's key stakeholders are managed by their involvement in business continuity planning and testing;
- the maintenance of a Risk Register for operations relating to the Consolidated Fund;
- measures that could enable essential payments business to continue in the event of the normal arrangements for granting credit being disrupted; and
- the regular review and maintenance of a consolidated business continuity plan and developing further business continuity arrangements within the framework of the Treasury's corporate Business Continuity Plan facilities.

Plans for 2007-2008

In addition to the controls mentioned above, in the coming year I have plans for

- continuing to focus on enhancing risk awareness within the team through risk exercises and training;
- a further joint test with the NAO at the back-up site simulating a complete loss of all computer systems;
- training recently recruited Exchequer Funds and Accounts staff to cover key tasks elsewhere in their branch in addition to their core duties;

- Exchequer Funds and Accounts participation in the implementation of the replacement for the Treasury's current contingency site, to ensure that it allows them to continue to deliver their objectives efficiently and effectively if and when required;
- using the opportunity to run Treasury applications at the Office of Government Commerce site at Norwich, which is part of the back-up site replacement strategy, to provide enhanced resilience; and
- implementation of recommendations made by the Public Finances Business Continuity (PFBC) project, including the development of enhanced plans to address the loss of services from and to key external counterparties, such as the Bank of England, National Audit Office and Debt Management Office.

Review of effectiveness

As Accounting Officer, my review of the effectiveness of the system of internal control is informed by the work of executive managers within the Treasury, who have been delegated responsibility for the development and maintenance of the internal control framework, and by the reports and comments made by the internal and external auditors. I have been supported by the Audit Committee and risk owners in addressing weaknesses and ensuring that continuous improvement of the system is in place. The Exchequer Funds Audit Committee considered the 2006-2007 accounts in draft and provided me with its views before I formally signed the accounts.

Internal Audit

Internal Audit has provided reports to the Audit Committee on the effectiveness of the risk management, control and governance processes during the period of this Statement on Internal Control. The audits make a series of recommendations that are addressed as part of our focus on continuous improvement in this area. The Internal Audit work programme is approved by the Audit Committee at the start of the year.

Internal Audit attended meetings of each Audit Committee to report the results of audit work and report the results of follow-up work on management action to address audit recommendations.

Internal Audit's view was that assurance could be given over the risk management, control and governance arrangements relevant to the accounts. There are no matters arising from the work of Internal Audit in the period that would give rise to a separate comment in the Statement on Internal Control.

Nicholas Macpherson
Accounting Officer
HM Treasury

10 July 2007

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

I certify that I have audited the financial statements of the Consolidated Fund for the year ended 31 March 2007 under the National Loans Act 1968. These comprise the Account for Receipts and Payments, the related notes and the accruals based disclosures in relation to certain statutory pension arrangements, coinage issued and redeemed, fixed asset investments and contingent liabilities as shown in notes 7 to 11. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and Auditor

The Accounting Officer is responsible for the preparation of financial statements in accordance with Section 21(1) of the National Loans Act 1968 and in the form prescribed by HM Treasury. The Accounting Officer is also responsible for ensuring the regularity of financial transactions and the preparation of the Foreword and the Statement on Internal Control. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements properly present the receipts and payments of the Consolidated Fund and give a true and fair view of the accruals based disclosures and whether the financial statements have been properly prepared in accordance with the National Loans Act 1968 and in the form prescribed by HM Treasury. I also report whether in all material respects the financial transactions of the Consolidated Fund conform to the authorities which govern them.

In addition, I report to you if proper accounting records have not been kept or if I have not received all the information and explanations I require for my audit, or if other information specified by HM Treasury is not disclosed.

I review whether the Statement on Internal Control reflects the Consolidated Fund's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of HM Treasury's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Foreword and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards of Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Consolidated Fund's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error and that, in all material respects, the financial transactions have been applied to the purposes intended by Parliament and conform with the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinions

Audit Opinion

In my opinion

- the financial statements properly present, in accordance with the National Loans Act 1968 and the form prescribed by HM Treasury, the receipts and payments of the Consolidated Fund for the year ended 31 March 2007 and give a true and fair view of the financial positions in relation to certain statutory pension arrangements, coinage issued and redeemed, fixed asset investments and contingent liabilities as at 31 March 2007; and
- the financial statements have been properly prepared in accordance with the National Loans Act 1968 and in the form prescribed by HM Treasury.

Audit Opinion on Regularity

In my opinion, in all material respects, the financial transactions of the Consolidated Fund conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

12 July 2007

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London SW1W 9SP

Receipts and Payments Account for the year ended 31 March 2007

| | Notes | 2006-2007 £ million | 2005-2006 £ million |
|---|-------|------------------------|------------------------|
| Receipts | | | |
| Tax revenue | | | |
| HMRC | 2 | 327,957 | 304,325 |
| Vehicle Excise Duty | 2 | 5,109 | 5,002 |
| National Non-Domestic Rates | 2, 3b | 19,696 | 18,660 |
| | | 352,762 | 327,987 |
| Other receipts | | | |
| Repayments from the Contingencies Fund | | 1,497 | 5,000 |
| Miscellaneous | 3a | 23,591 | 12,817 |
| Deficit met from the National Loans Fund | | 30,552 | 46,200 |
| Total receipts | | 408,402 | 392,004 |
| Payments | | | |
| Supply services | | | |
| | 4 | 371,576 | 355,429 |
| Standing services | | | |
| Payments to the National Loans Fund for net interest payments | | 19,898 | 18,323 |
| Payments to the European Communities | 5 | 8,684 | 8,139 |
| Other Standing Services | 6 | 6,744 | 5,113 |
| | | 406,902 | 387,004 |
| Issues to the Contingencies Fund | | 1,500 | 5,000 |
| Total payments | | 408,402 | 392,004 |

The notes on pages 11 to 18 form part of this Account.

Nicholas Macpherson
Accounting Officer
HM Treasury

10 July 2007

Notes

1 Statement of accounting policies

These accounts are prepared on a cash basis under section 21(1) of the National Loans Act 1968.

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 resource accounts or elsewhere. These include pensions paid directly from the CF, coinage issued and redeemed, the UK's capital subscription to the European Investment Bank and Land Registry PDC. These disclosures have been prepared on an accruals basis under the historical cost convention modified to account for the revaluation of investments. There is no direct read-across between Notes 7-11 and the Consolidated Fund receipts and payments account.

2 Tax revenue

Detailed breakdowns of tax revenues paid into the Consolidated Fund are set out in Trust Statements prepared by the receiving departments. Receipts previously collected by Inland Revenue and Customs and Excise are now presented as receipts of the merged department, Her Majesty's Revenue and Customs (HMRC).

From the effective date of that merger (18 April 2005) HMRC was empowered to receive funding from the CF to meet its cash needs on days when its revenue-related outflows exceeded its receipts. Some £6.5 billion was advanced from the CF for this purpose in 2006-2007. As these advances do not have to be repaid, the sums paid into the CF as revenue by HMRC in 2006-2007 were £6.5 billion higher than they would have been under the arrangements that operated previously. The comparable amount for 2005-2006 was £4.8 billion.

3a Miscellaneous receipts

| | 2006-2007 | 2005-2006 |
|---|-------------------|------------|
| | £ 000 | £ 000 |
| Receipts from Estimates credited to the Consolidated Fund | 22,738,776 | 11,324,922 |
| OFGEM revenue | 255,000 | 150,000 |
| United Kingdom coinage | 208,000 | 190,000 |
| Crown Estate surplus revenue | 198,000 | 190,300 |
| Broadcasting additional receipts and penalties | 55,672 | 63,852 |
| Crown's share of the Crown's Nominee Fund | 54,000 | 0 |
| Share of surplus accrued from securities for National Savings Bank | 32,582 | 34,995 |
| Land Registry – dividend on public dividend capital | 14,229 | 12,793 |
| National Savings Bank Ordinary Account contribution for management expenses | 8,000 | 19,181 |
| Over-issues of Supply repaid | 7,594 | 762,671 |
| Insolvency Service – unclaimed dividends | 1,429 | 4,031 |
| Miscellaneous | 11,995 | 64,242 |
| Receipts subsequently repaid | 5,719 | 0 |
| Total | 23,590,996 | 12,816,987 |

3b Additional amounts paid over by departments but not credited to the Consolidated Fund in cash

| | 2006-2007 £ 000 | 2005-2006 £ 000 |
|--|----------------------------------|------------------------------|
| Receipts from estimates | 0 | 771,252 |
| Receipts subsequently repaid | 0 | 259 |
| Over-issues of supply repaid | 0 | 1,158 |
| Crown's share of the Crown's Nominee Fund | 0 | 17,000 |
| Broadcasting additional receipts and penalties | 0 | 4,063 |
| Miscellaneous | 0 | 29 |
| Sub total | 0 | 793,761 |
| National non-domestic rates | 0 | 302,519 |
| Total credited in cash to Consolidated Fund in following financial year | 0 | 1,096,280¹ |

4 Analysis of supply services*a Supply Services issues and repayments*

| | Note | 2006-2007 £ 000 | 2005-2006 £ 000 |
|--|------|----------------------------------|--------------------|
| Supply issues | | | |
| For current year | | 370,390,110 | 353,736,491 |
| For previous years | | 1,185,604 | 1,692,219 |
| | | 371,575,714 | 355,428,710 |
| Prior year over-issues surrendered in cash | 3a | (7,594) | (762,671) |
| Net supply services issued | | 371,568,120 | 354,666,039 |

b Supply Services analysed by period

| | 2006-2007 £000 | 2005-2006 £000 | 2004-2005 £000 |
|---|---------------------------------|--------------------|--------------------|
| Cash supply granted by Parliament | 388,668,410 | 364,877,368 | 339,832,025 |
| Total Net Cash Requirements outturns reported by government departments | n.a. | 352,920,919 | 325,372,575 |
| Surplus not required | n.a. | 11,956,449 | 14,459,450 |
| Financing in year | | | |
| 2004-2005 Issues made in year | 0 | 0 | 325,046,455 |
| Prior year issues applied to a subsequent year | 0 | 0 | 934,837 |
| 2004-2005 Prior year over-issues surrendered in cash | 0 | 0 | 0 |
| Current year over-issues surrendered in cash | 0 | 0 | (428) |
| 2005-2006 Issues made in year | 0 | 353,736,491 | 1,692,219 |
| Prior year issues applied to a subsequent year | 0 | 1,532,256 | (1,532,256) |
| Prior year over-issues surrendered in cash | 0 | 0 | (762,671) |
| 2006-2007 Issues made in year | 370,390,110 | 1,185,604 | 0 |
| Prior year issues to be applied to a subsequent year | 3,531,763 | (3,531,763) | 0 |
| Prior year over-issues surrendered in cash | n.a. | (1,669) | (5,581) |
| Total | n.a. | 352,920,919 | 325,372,575 |

1 Credited to the Consolidated Fund in April 2006.

Note 4a shows receipts and payments of Supply.

Note 4b analyses the receipts and payments of Supply according to the year for which the Supply was granted. The Net Cash Requirement for 2006-2007 will not be finalised until all Government departments have published their accounts. Therefore this figure and the subsequent analysis is noted as not available (na). This will be published in the 2007-2008 Consolidated Fund Account.

5 United Kingdom contributions to the Budget of the European Communities

Member States' contributions to the Budget of the European Communities are made on the basis of the financing system set out in the Own Resources Decision which was agreed by all Member States and incorporated into UK law by virtue of the EC (Finance) Act 2001. The 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 for several years. The amount included in the note as expenditure comprises the amount estimated to be payable for the financial year plus an adjustment for earlier years based on the latest estimate of the contribution for those years.

The Own Resources Decision provides for the Budget of the European Communities to be financed by own resources consisting of

- i customs duties, including those on agricultural products;
- ii sugar levies;
- iii VAT, which is the product of the application of a uniform rate, not exceeding 1 per cent, to a harmonised expenditure base, which must not, for any Member State, exceed 0.5 per cent of its GNI; and
- iv a 'fourth' resource based on Member States' shares in Community GNI. 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 Own Resources Decision. It is equal to approximately 66 per cent of the difference in the previous year between what the UK would have paid if the Budget of the European Communities had been financed entirely by VAT (but excluding the UK's contribution to expenditure outside the Community, mainly aid) and the UK's receipts from the Budget of the European Communities.

| | Contribution for year ended 31 March 2007 £000 | 2006-2007 Adjustment of prior years' contributions £000 | Total £000 | 2005-2006 Total £000 |
|-------------------------------------|---|--|-----------------------|----------------------------|
| Customs duties | 1,739,342 | 0 | 1,739,342 | 1,716,041 |
| Sugar levies | 5,752 | 0 | 5,752 | 23,538 |
| VAT contribution (before abatement) | 2,285,310 | 1,981 | 2,287,291 | 1,963,746 |
| Fourth resource contributions | 8,049,687 | 162,815 | 8,212,502 | 8,076,658 |
| | 12,080,091 | 164,796 | 12,244,887 | 11,779,983 |
| Less: UK abatement | (3,307,213) | (253,105) | (3,560,318) | (3,641,284) |
| | 8,772,878 | (88,309) | 8,684,569 | 8,138,699 |

In addition to annual contributions to the Budget of the European Communities, the Consolidated Fund also bears the cost of capital subscriptions to fund the European Investment Bank. These are detailed at Note 10.

6 Other Consolidated Fund standing services payments

| | Notes | 2006-2007 £000 | 2005-2006 £000 |
|---|-------|-------------------------|-------------------|
| Civil list, annuities and pensions | | | |
| Civil List payments | | 9,513 | 9,513 |
| Royal Household Pensions Scheme | 7d | 3,196 | 3,211 |
| Pensions for Judicial Services | | 38,828 | 36,147 |
| Other pensions | 7d, 8 | 1,319 | 1,558 |
| Salaries and allowances | | | |
| Courts of Justice | | 140,013 | 133,224 |
| Members of the European Parliament | | 5,154 | 5,084 |
| Other | | 1,357 | 1,288 |
| Miscellaneous services | | | |
| Election and referendum expenses | | 19,000 | 83,391 |
| Advances to HMRC in support of revenue | | 6,512,000 | 4,772,000 |
| Royal Mint | | 7,156 | 7,523 |
| Miscellaneous refunds | | 5,719 | 60,322 |
| Other | | 598 | 14 |
| Total | | <u>6,743,853</u> | <u>5,113,275</u> |

7 Unfunded pension arrangements

The Consolidated Fund 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 Members of the European Parliament (MEPs) under the European Parliament (UK Representatives) Pension Scheme. Pension benefits are based on final pensionable salary and the following data for pension liabilities which are accounted for as unfunded defined benefit arrangements is in accordance with FRS 17 – Retirement Benefits. The liabilities are measured on an actuarial basis using the projected unit method and discounted using an assumed long-term real rate of return expected to be earned on long-dated index-linked gilts. The rate is determined by the Government Actuary's Department and is subject to review.

a Actuarial assessment assumptions

A full actuarial assessment was carried out for both schemes as at 31 March 2007 by the Government Actuary's Department. The major assumptions used by the actuary for both schemes were

| | At 31 March 2007 % | At 31 March 2006 % |
|--------------------------------------|--------------------------|--------------------------|
| Rate of increase in salaries | 4.30 | 4.00 |
| Rate of increase in pension payments | 2.75 | 2.50 |
| Discount rate | 4.60 | 5.40 |
| Inflation assumption | 2.75 | 2.50 |

b 2006-2007 Expenditure and income

| | 2006-2007 RH £000 | 2006-2007 MEPs £000 | 2006-2007 Total £000 | 2005-2006 Total £000 |
|---|-------------------------|---------------------------|----------------------------|----------------------------|
| Expenditure | | | | |
| Current service costs | 1,260 | 1,200 | 2,460 | 2,700 |
| Past service costs | 0 | 0 | 0 | 0 |
| Interest on scheme liability | 3,815 | 1,400 | 5,215 | 5,200 |
| Total expenditure | <u>5,075</u> | <u>2,600</u> | <u>7,675</u> | <u>7,900</u> |
| Income | | | | |
| <i>Pension contributions receivable</i> | | | | |
| Employers contributions | 998 | 0 | 998 | 1,091 |
| Employees contributions | 149 | 445 | 594 | 607 |
| Total income | <u>1,147</u> | <u>445</u> | <u>1,592</u> | <u>1,698</u> |
| Net expenditure | <u>3,928</u> | <u>2,155</u> | <u>6,083</u> | <u>6,202</u> |

c Movement in liabilities during the year

| | 2006-2007 RH £000 | 2006-2007 MEPs £000 | 2006-2007 Total £000 | 2005-2006 Total £000 |
|--|-------------------------|---------------------------|----------------------------|----------------------------|
| Liability in scheme at beginning of the year | (71,600) | (25,400) | (97,000) | (87,420) |
| Overnight increase in liabilities | 0 | 0 | 0 | (9,980) |
| Current service cost | (1,260) | (1,200) | (2,460) | (2,700) |
| Transfers in/out | 44 | 0 | 44 | 100 |
| Benefit payments | 3,156 | 600 | 3,756 | 4,200 |
| Past service cost | 0 | 0 | 0 | 0 |
| Other finance charges – interest | (3,815) | (1,400) | (5,215) | (5,200) |
| Total | <u>(73,475)</u> | <u>(27,400)</u> | <u>(100,875)</u> | <u>(101,000)</u> |
| Actuarial gain/loss | (13,289) | (3,300) | (16,589) | 1,600 |
| Liability at end of year | (86,764) | (30,700) | (117,464) | (99,400) |

The full actuarial assessment for the RH Pensions Scheme showed an increase in pension liabilities from £71,600,000 to £86,764,000.

The full actuarial assessment for the European Parliament (UK Representatives) Pensions Scheme showed an increase in pension liabilities from £25,400,000 (re-stated from £27,800,000 following a change in scope of the Consolidated Fund's liability) to £30,700,000.

d Analysis of pension benefits paid by the Consolidated Fund

This table provides details of the cash payments paid by the Consolidated Fund in relation to Royal Household and MEPs' pensions as disclosed above. The pension increase element of MEPs' pensions is borne on the Civil Service Superannuation Resource Account.

| | 2006-2007 RH £000 | 2006-2007 MEPs £000 | 2006-2007 Total £000 | 2005-2006 Total £000 |
|---|-------------------------|---------------------------|----------------------------|----------------------------|
| Total pension paid | 2,872 | 1,018 | 3,890 | 3,701 |
| Commutation and lump sum benefits | 324 | 37 | 361 | 775 |
| Total pension benefits paid | 3,196 | 1,055 | 4,251 | 4,476 |
| Less: increase element of MEPs' pensions borne by the Civil Superannuation Resource Account | 0 | (190) | (190) | (152) |
| Total borne by the Consolidated Fund | 3,196 | 865 | 4,061 | 4,324 |

e Analysis of actuarial loss on unfunded pension schemes

| | 2006-2007 RH £000 | 2006-2007 MEPs £000 | 2006-2007 Total £000 | 2005-2006 Total £000 |
|--|-------------------------|---------------------------|----------------------------|----------------------------|
| (Gains)/losses arising on scheme liabilities | 413 | (200) | 213 | (1,400) |
| Changes in assumptions underlying the present value of liabilities | 12,876 | 3,500 | 16,376 | (200) |
| Total | 13,289 | 3,300 | 16,589 | (1,600) |

8 Other pensions

In addition to the pensions described in Note 7, the Consolidated Fund also makes payments in relation to: – (i) pensions in respect of higher judicial services; (ii) pensions for Parliamentary Officers for political and civil services provided; and (iii) Civil List pensions. FRS 17 disclosures have not been provided for these payments for the reasons given below.

Pensions in respect of higher judicial services – Liabilities in respect of this scheme are included in the Judicial Pensions Scheme resource account.

Pensions for Parliamentary Officers for political and civil services provided – relate to pensions for former Prime Ministers, Speakers, Comptroller and Auditor Generals and Parliamentary Commissioners. In total, a sum of £334,000 was paid from the Consolidated Fund in 2006-2007 in respect of these pensions (£333,000 in 2005-2006). The actuarial liability falling on the Consolidated Fund, across all these schemes, has been assessed at £7.0 million at 31 March 2007 (£6.7 million at 31 March 2006).

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. As there is no basis for accruing pension entitlement it is judged that they do not come within the scope of FRS 17 – Retirement Benefits.

In all the cases above, the sums involved are not material in the context of this account.

9 Coinage issued and redeemed

The face value of coins issued by the Royal Mint is payable to the Consolidated Fund and the face value of coins redeemed by the Royal Mint is a charge on the Consolidated Fund. The cost of minting the coinage is charged to the Treasury's Resource Account (£44.153 million in 2006-2007 and £32.927 million in 2005-2006).

| | 2006-2007 | 2005-2006 |
|-------------------|-----------------------|----------------|
| | £000 | £000 |
| Coins issued | 208,000 | 190,000 |
| Coins redeemed | (8,357)* | (7,943)* |
| Net income | <u>199,643</u> | <u>182,057</u> |

* This differs from the amount paid to the Royal Mint shown in Note 6 because of timing differences between the redemption of coins and the related payments from the Consolidated Fund.

10 Fixed asset investments

a *European Investment Bank*

Section 3 of the European Communities Act 1972 provides for payments in respect of the capital or reserves of the European Investment Bank, or in respect of loans to the European Investment Bank (the 'EIB'), to be made from the Consolidated Fund.

The UK's interest in the EIB is a fixed asset investment. The EIB's capital has been provided through subscriptions by EU Member States, broadly in proportion to the Gross National Product of the individual countries. The aim is to further the objectives of the European Union by making long-term finance available for investment projects.

The UK's investment in the EIB, based on its 16.17 per cent share of subscribed capital, was worth €5,283,918,000 at 31 March 2007 (16.28 per cent worth €4,902,133,000 at 31 March 2006). The investment is revalued each year at the UK's share of the net assets of the Bank as reported in the Bank's accounts to 31 December of the previous year.

| | 2006-2007 | 2005-2006 |
|---------------------------------|-------------------------|------------------|
| | £000 | £000 |
| European Investment Bank | | |
| At 1 April | 3,420,218 | 3,215,234 |
| Change | 165,990 | 204,984 |
| At 31 March | <u>3,586,208</u> | <u>3,420,218</u> |

b *Land Registry Public Dividend Capital*

When the Land Registry was established as a trading fund it was deemed to have received Public Dividend Capital from the Consolidated Fund. This asset of the CF is included here as it is not reported elsewhere.

| | 2006-2007 | 2005-2006 |
|---|-------------------------|------------------|
| | £000 | £000 |
| Land Registry Public Dividend Capital | | |
| Balance at 1 April | 61,545 | 61,545 |
| Additions | 0 | 0 |
| Disposals | 0 | 0 |
| Balance at end of year | <u>61,545</u> | <u>61,545</u> |
| Total fixed asset investments at end of year | <u>3,647,753</u> | <u>3,481,763</u> |

11 Contingent liabilities

The normal convention is for contingent liabilities that would fall on the Consolidated Fund to be reported in the appropriate departmental resource account. However, some contingent liabilities have been identified that fall outside these arrangements, so they are reported here instead. These are as follows

| | At 31 March 2007 £m | At 31 March 2006 £m |
|--|------------------------------------|---------------------------|
| EC Budget: Guarantees on borrowing and lending operations | 1,871.2* | 1,964.6** |
| EC Budget: Emergency Aid Reserve [§] | 0 | 27.5 |
| European Investment Bank: Callable capital subscription [^] | 17,182.0 | 17,663.0 |
| UK coinage | 3,778.0 | 3,646.8 |

* €2,757 million (as evaluated at December 2005), converted to £ sterling at the exchange rate prevailing at 31 March 2007. The EC makes loans for Macro Financial assistance purposes and specific projects to members of the EU and Third countries e.g. Bosnia-Herzegovina, Georgia and Serbia and Montenegro. The loans are guaranteed by the EC Budget and the liability would crystallise if these loans were defaulted on.

** €2,816 million (as evaluated at June 2005), converted to £ sterling at the exchange rate prevailing at 31 March 2006.

§ The Emergency Aid Reserve was a separate item within the EC Budget which Member States only contributed to as and when it was called upon. With effect from the 2007 EC Budget it ceased to be a separate item and is now fully embedded within the Budget and is covered by Member States' monthly contributions to the EC Budget.

^ The UK is liable for €25,316 million (as at 31 March 2007) of callable capital to the EIB. Under Article 5 of the EIB's Statute the Board of Directors may call upon each Member State to pay its share of the balance of the subscribed capital should the Bank have to meet its obligations towards those who have made loans to it. In the current environment, it is unlikely that Member States will be called upon to pay the remaining capital.

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