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

Consolidated Fund Account 2011-12

LONDON: The Stationery Office
HC 443 £10.75

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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 within 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 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.

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 and Customs (HMRC);
- other receipts paid over by departments known as Consolidated Fund Extra Receipts (CFERs);
- negative supply payments, where departments with a negative net cash requirement are required to generate cash at least equal to that amount and surrender it to the CF;
- tax-type revenues, such as fines, penalties and certain licence fees, paid over by departments 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. These are approved annually by Parliament in a vote on the spending Estimates submitted to it by the government. 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 judiciary, expenses of holding general elections, United Kingdom contributions to the budget of the European Union and financial assistance payments (see below);
- 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.

Standing Service for financial assistance

The Banking Act 2009 gives power to the Consolidated Fund as part of the Treasury to support banks legislated in the Act. The Treasury can make a payment in respect of providing financial assistance to or in respect of a bank or other financial institution directly from the Consolidated Fund if the Treasury is satisfied that the need for expenditure is too urgent to permit arrangements to be made for the provision of money by Parliament, although Parliament must be informed as soon as is reasonably practicable. During 2011-12 and 2010-11 no payments were issued.

Clear Line of Sight (CLOS)

In July 2010 CLOS alignment reforms were passed in the House of Commons. CLOS simplifies the government's spending controls and financial reporting to Parliament. The aims of the changes are to increase the transparency of public spending information, to improve accountability and to provide a more efficient control framework that builds in the right incentives to deliver better value for money.

2011-12 is the first full year of reporting under CLOS for government departments. The impact of these reforms includes changes to the treatment of income so that departments are able to retain income in budgets provided it is of a type reported to Parliament in their Estimate, but will now put tax-type collections (e.g. fines, penalties, certain licence fees) through a separate Trust Statement. As a result, the impact on the CF is that CFER receipts have started to fall, either because they are no longer classified as CFERs and appear as Trust Statement income instead, or because departments are retaining them. In addition, as a result of CLOS, some departments now have a negative Net Cash Requirement and are required to surrender negative Supply to the CF. These receipts would generally have been accounted for as CFERs prior to CLOS. The presentation in respect of the CF accounts is explained in note 3 to the accounts. Further information on the Clear Line of Sight project can be found at www.hm-treasury.gov.uk/psr_clear_line_of_sight_intro.htm.

Eurozone interventions

The UK is a member of the European Financial Stabilisation Mechanism (EFSM), which provides support to all EU Member States. The Consolidated Fund is responsible for the United Kingdom's contribution to the EFSM. Details can be found in note 11 to the accounts. The UK has also continued to support the International Monetary Fund (IMF) through the NLF in 2011-12, in line with our commitments as an IMF member. Through the NLF, the UK has provided support through both quota shareholding and a bilateral loan to the IMF. The UK's agreed bilateral loan to Ireland of £3.2 billion is being funded by HM Treasury's Vote, which receives its funding from the Consolidated Fund.

Outturn

The outturn for the year shows payments and receipts of £514.2 billion (2010-11: £523.1 billion), including £109.0 billion (2010-11: £139.7 billion) from the NLF to cover what would have been the deficit for the year.

Advances to HMRC to cover daily revenue shortfalls as described in note 2 to the accounts, and transactions with the Contingencies Fund, artificially inflate both receipts and payments. After adjusting for these, and for the deficit funding from the NLF, total underlying receipts increased by 5 per cent from £373.1 billion to £390.8 billion and underlying payments decreased by 3 per cent from £512.8 billion to £499.8 billion. As a result, the net deficit on the CF, which was financed by transfers from the NLF, decreased from £139.7 billion to £109.0 billion, a decrease of £30.7 billion, or 22 per cent.

Receipts

Miscellaneous receipts increased by £4.3 billion in 2011-12 from £18.8 billion to £23.1 billion. £6.3 billion was received from Estimates from the Department for Communities and Local Government in respect of the reforms to the Housing Revenue Account. Overall this was a cash neutral transaction for the Exchequer. Generally receipts from Estimates have fallen as departments are able to retain more of their income under the Clear Line of Sight reforms. The most significant decrease is the Department for Environment, Food and Rural Affairs (Defra) where total receipts surrendered to the CF have fallen from £2.3 billion in 2010-11 to £0.3 billion in 2011-12.

Payments

Supply payments to government departments fell by £9.7 billion in 2011-12. Almost all departments drew less Supply in 2011-12 as a result of fiscal consolidation and the Clear Line of Sight reforms, where they are allowed to retain more of their income, and subsequently need to draw less Supply. The most significant year-on-year decreases in Supply issued to government departments were £5.8 billion for the Department for Communities and Local Government, £1.9 billion for the Department for Business, Innovation and Skills, and £1.6 billion for the Department for Education. Supply issued to the Department of Health increased by £1.5 billion. Further details of how Supply has been spent can be found in each of the departmental Annual Reports and Accounts.

Payments to the NLF for net interest payments are £1.1 billion higher in 2011-12 compared with 2010-11, reflecting the increase in gilts issued by the NLF.

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 receipts and Standing Service payments. Certain transactions, balances and contingent liabilities, borne directly by the CF, cannot be brought to account in other statutory accounts and are disclosed more appropriately in notes accompanying the CF Account. These items include liabilities in respect of pensions paid directly from the CF, coinage issued and redeemed, the UK's capital subscription to the European Investment Bank, the Public Dividend Capital (PDC) of the Land Registry and some contingent liabilities. This additional information is disclosed on an accruals basis in notes 7-14 to the CF Account to assist preparation of Whole of Government Accounts.

There is no direct read-across between the accruals-based notes 7-14 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.

The National Audit Office (NAO) bears the cost of all external audit work performed on the Consolidated Fund.

Nick Macpherson 5 July 2012
Accounting Officer
HM Treasury

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 Treasury 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 17 of the Foreword, Notes 7-14 accompanying 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 Nick Macpherson, its Permanent Secretary, as Accounting Officer for the Fund, with overall responsibility for its operation, for preparing the annual account and for submitting it to the Comptroller and Auditor General for audit.

In preparing the Account the Accounting Officer is required to observe the 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 Chapter 3 of *Managing Public Money*, published by the Treasury.

Governance Statement

Governance Framework

The Consolidated Fund is managed within the Treasury's governance framework as set out in the Treasury's Annual Report and Accounts 2011-12. This includes the Treasury Board's assessment of its compliance with the 'Corporate Governance Code'.

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 Consolidated Fund.

As Accounting Officer for the Consolidated Fund, I am personally responsible and accountable to Parliament for the organisation and quality of management of the Consolidated Fund, including its use of public money and the stewardship of its assets, in line with those responsibilities assigned to me in *Managing Pubic Money*.

Audit Committee

The Treasury Audit Committee is a committee of the Treasury Board (sub-committee), and is tasked with supporting me, as Principal Accounting Officer, and the Treasury's Additional and other Accounting Officers in their responsibilities for managing risk, internal control and governance related to the:

- Treasury Group's Annual Report and Accounts;
- Consolidated Fund;
- Contingencies Fund;
- National Loans Fund; and,
- Exchange Equalisation Account.

I appoint members of the Committee for periods up to three years, extendable by no more than two additional three-year periods. The Chair of the Committee reports directly to me and is invited to report concerns or issues to the Treasury Board (sub-committee). The membership of the Audit Committee at the close of 2011-12 was:

- Michael O'Higgins (Chair) – Chairman of the Audit Commission; Chairman of the Pensions Regulator; Chairman, Investec Structured Products Calculus VCT plc;
- Mike Ashley – Head of Quality and Risk Management, KPMG Europe LLP; Board Member, KPMG Europe LLP;
- Janet Baker – Crown Commercial Lead, Better Business Models, Cabinet Office; Board Member and Audit Committee Member, Audit Commission; Non Executive Director, Remuneration Committee Chair and Audit Committee Member, Defence Support Group, MoD; Non Board Member and Audit Committee Member, Rural Payments Agency; and
- Bradley Fried – Managing Partner, Grovepoint Capital LLP, Non Executive Director of the Group Board, Investec plc; Non Executive Director and Audit Committee Chair, Investec Wealth and Investment Limited.

During 2011-12, two members, Zenna Atkins and Avinash Persaud, stepped down from the Audit Committee.

The Treasury Audit Committee 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.

In addition to the independent members, the appropriate Accounting Officers, HM Treasury's Group Director of Finance, the Chief Executives of the Debt Management Office and the Asset Protection Agency, and the Treasury Accountant also attend Committee meetings as required. Members have the opportunity for a pre-committee discussion with the National Audit Office, Group Head of Internal Audit for HM Treasury and Head of Internal Audit for the Exchequer Funds.

The Treasury Audit Committee met four times during 2011-12.

The external auditor is the Comptroller and Auditor General and the National Audit Office (NAO) attend all Audit Committee meetings on his behalf.

The Treasury Audit Committee receives all NAO and Exchequer Funds Internal Audit Reports relating to the Consolidated Fund.

Exchequer Funds Internal Audit

Internal Audit for the Consolidated Fund is provided by Exchequer Funds Internal Audit (EFIA). EFIA reports directly to the Accounting Officer and the Audit Committee on audit reporting matters.

For the Consolidated Fund, an annual risk-based internal audit programme is agreed with the Treasury Accountant in advance of the Audit Committee'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 Fund. The Audit Committee reviews the work programme and is kept informed of progress and amendments.

Management of the Consolidated Fund

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

Reporting to the Treasury's Boards

The Economic, Fiscal and Operational Risk Groups, each chaired by a member of the Executive Management Board (EMB), meets every six weeks. The Risk Groups give evidence to the Ministerial Board and its sub-committee. EFA's risks are regularly reported to the Operational Risk Group.

EFA feeds into the Treasury's quarterly internal Performance Reporting which is produced for the Ministerial Board and its sub-committee. This includes key financial information from the CF which feeds into the public finances.

As mentioned previously, the Chair of the Audit Committee is invited to report concerns or issues to the Treasury Board (sub-committee), and is a member of the Ministerial Board.

Risk management

EFA is managed within HMT's risk management framework which is set out in HMT's Annual Report and Accounts. 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 Consolidated Fund are discharged appropriately. He is supported by EFA management who are responsible for ensuring that the tasks in their area are compliant with operational policies and procedures, and legislation. EFA management provide me with a quarterly update report on changes to the control environment and changes in risk exposure.

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 regularly reviewed by EFA management, and is circulated to me alongside the quarterly risks and controls report.

EFA management ensure that staff working on the Consolidated Fund are trained and equipped to manage risk in a way appropriate to their authority and duties. Training on risk awareness and management is provided as required, either by management or by attending appropriate courses. Individuals' objectives reflect the need to manage risks. Training is also provided to staff to build the team's capability and to increase its resilience. EFA team members are encouraged to obtain professional qualifications in areas that are relevant to their roles.

During the year, there were no significant changes to the control environment.

The system of internal control

As Accounting Officer, I am responsible for maintaining a sound system of internal control that supports the achievement of the Fund'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*.

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 Consolidated Fund'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.

The system of internal control has been in place throughout the year ended 31 March 2012 and up to the date of approval of the financial statements, and accords with Treasury guidance.

Risk profile

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

The key risks in managing the Consolidated Fund and their associated controls are:

- **Irregularity of transactions, including fraudulent or erroneous payments:** Clear separation of duties is enforced by appropriate user permissions within the accounting system and payment approval panels. Up-to-date policy and procedures manuals including job instructions are readily accessible to all operational staff. Payment instructions are computer-generated and are derived from underlying transaction records. This minimises the risk of keying errors. Net Supply issued to departments to finance expenditure is approved annually by Parliament through the annual Appropriation Acts. EFA inputs these limits onto the accounting system, which ensures that these limits are adhered to. Separately, the Comptroller and Auditor General, through the National Audit Office Exchequer Section approves Consolidated Fund payments in advance and reconciles Fund transactions on a daily basis. There is also a clear and comprehensive audit trail in the IT system, to which the National Audit Office Exchequer Section has real-time access.
- **Incorrect accounting:** Application controls exist within the IT system used to manage financial transactions and account for receipts and payments on the Fund. Cash-based accounting entries are generated from pre-defined templates. New general ledger accounts are authorised by the Deputy Treasury Accountant before being set up. Monthly management accounts for the Fund are also produced and reviewed by the Treasury Accountant, and are provided to me.
- **Failure of IT systems:** The Fujitsu data centre offers the highest level of resilience available as prescribed by Telecommunications Industry Standard TIA-942 with availability set to 99.995%. A disaster recovery site is also provided by our outsourced information technology provider. EFA also has its own contingency plans in place.

- **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 National Audit Office Exchequer Section's normal payments approval process in the event of disruption to enable the essential payments business to continue. The risks that impact upon EFA's key stakeholders are managed by their involvement in business continuity planning and testing. Business continuity arrangements are regularly reviewed and tested within the framework of the Treasury's corporate Business Continuity Plan facilities. The Consolidated Fund's operations were not affected by public sector strike action during the year.
- **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. Quarterly meetings are held with managers at the Bank of England where service levels are discussed. A monthly report of any failure to meet the service requirements is also sent to the Bank of England by EFA. A monthly meeting is held with GBS management where service levels are discussed.
- **Information risk:** Data and information risk are managed in accordance with HMT's policies, which involve a range of controls to prevent unauthorised disclosures. These include encryption and physical and IT security. HMT adheres to Cabinet Office guidelines available at http://www.cabinetoffice.gov.uk/resource-library/security-policy-framework. Further guidance on information security and assurance is available to all HMT staff on the intranet. EFA's own Data Handling Policy identifies risks specific to EFA. This policy is reviewed on a six-monthly basis or as required.

Review of effectiveness

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 Exchequer Funds Internal Audit who provided positive assurance as to the management and control of the Consolidated Fund in 2011-12, 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 Audit Committee, and risk owners in addressing weaknesses and ensuring continuous improvement of the system is in place. The Treasury Audit Committee considered the 2011-12 accounts in draft and provided me with its views before I formally signed the accounts.

No significant internal control issues, including data related incidents, have been identified in 2011-12, and no significant new risks have been identified in the year. No ministerial directions have been given in 2011-12

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

Nick Macpherson
Accounting Officer
HM Treasury

5 July 2012

The 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 2012 under the National Loans Act 1968. These comprise the Receipts and Payments Account and supporting Notes 1 to 6, and the accruals based disclosures in Notes 7 to 14. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and Auditor

As explained more fully in the Statement of Accounting Officer's responsibilities, the Treasury and Accounting Officer are responsible for the preparation of the financial statements in accordance with the National Loans Act 1968 and in the form prescribed by HM Treasury. My responsibility is to audit, certify, and report on the financial statements in accordance with the National Loans Act 1968. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Consolidated Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Foreword and the Governance Statement to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on Regularity

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

Opinion on financial statements

In my opinion:

- the financial statements, which comprise the Receipts and Payments Account and supporting Notes 1 to 6, 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 2012;
- the information contained within Notes 7 to 14, in relation to certain statutory pension arrangements, coinage issued and redeemed, non-current investments and contingent liabilities as at 31 March 2012, is not materially misstated and has been prepared in accordance with the accounting policies set out in the Notes; and
- the financial statements have been properly prepared in accordance with the National Loans Act 1968 and in the form prescribed by HM Treasury.

Opinion on other matters

In my opinion the information given in the Foreword, for the financial year for which the financial statements are prepared, is consistent with the financial statements.

Matters for which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or returns adequate for my audit, have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

10 July 2012

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Receipts and Payments Account for the year ended 31 March 2012

Receipts	Notes	2011-12 £m	2010-11 £m
Tax Revenue			
HMRC	(2)	**351,583**	336,924
Vehicle Excise Duty	(2)	**5,967**	5,808
National Non-Domestic Rates	(2)	**21,528**	20,833
		379,078	363,565
Other Receipts			
Repayments from the Contingencies Fund		**3,000**	1,000
Miscellaneous receipts	(3)	**23,126**	18,839
Deficit funded from the National Loans Fund		**108,993**	139,681
Total receipts		**514,197**	523,085
Payments			
Supply Services	(4)	**449,344**	459,088
Standing Services			
Payments to the National Loans Fund for net interest payments		**37,904**	36,770
Payments to the budget of the European Union	(5)	**12,183**	12,915
Other Standing Services	(6a)	**11,766**	13,312
		511,197	522,085
Issues to the Contingencies Fund		**3,000**	1,000
Total payments		**514,197**	523,085

The notes on pages 13 to 28 form part of this Account.

Nick Macpherson 5 July 2012
Accounting Officer
HM Treasury

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, with the bank account maintained at the Bank of England.

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 7-14 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 include pensions paid directly from the CF, coinage issued and redeemed, the UK's capital subscription to the European Investment Bank, the Public Dividend Capital (PDC) of the Land Registry and some contingent liabilities. 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 7-14 and the Consolidated Fund receipts and payments account.

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 (£).

Foreign currency translation

Monetary assets and liabilities included in notes 10 and 11 to the accounts are reported at exchange rates prevailing at the year end date.

2 Tax Revenue

Detailed breakdowns of tax revenues paid into the Consolidated Fund are set out in Trust Statements prepared by the receiving departments. These departments are Her Majesty's Revenue and Customs (HMRC), the Driver and Vehicle Licensing Agency (DVLA) and the Department for Communities and Local Government (DCLG). Tax receipts collected by HMRC are subject to an estimation process applied by HMRC to differentiate between taxation receipts and national insurance contributions, which are collected by HMRC. Any cash paid over to the CF by HMRC in any reporting period, may include amounts later identified as national insurance contributions which, when identified, are subsequently 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 exceeds its receipts. Some £11.4 billion was advanced from the CF for this purpose in 2011-12 (£9.3 billion in 2010-11). These advances do not have to be repaid and are reported in note 6a.

As explained in the Foreword, as a result of CLOS reforms, a number of tax-type collections previously surrendered to the CF as Consolidated Fund Extra Receipts (CFERs) are now recorded in trust statements and are surrendered as such to the CF instead.

3 Miscellaneous receipts

	2011-12 £m	2010-11 £m Restated
Consolidated Fund Receipts (CFR)	**22,335**	18,362
United Kingdom coinage issued (Note 9)	**118**	155
Crown Estate surplus revenue	**241**	232
Broadcasting additional receipts and penalties	**6**	5
Crown's share of the Crown's Nominee Fund	**33**	25
Land Registry – dividend on public dividend capital	**14**	15
Prior year over-issues of Supply repaid (Note 4)	**351**	2
Current year over-issues of Supply repaid (Note 4)	**14**	–
Court Funds Investment Account – surplus income	**–**	1
Insolvency Service – unclaimed dividends	**–**	4
DVLA – public dividend capital	**–**	19
Miscellaneous	**11**	13
Receipts subsequently repaid	**3**	6
Total	**23,126**	18,839

The 31 March 2011 balance has been restated for a reclassification of receipts within this note. This has been done to aid the comparability of figures for 2010-11 and 2011-12 following the introduction of the Clear Line of Sight ('CLOS') reforms as described in the Foreword. The total 'Miscellaneous receipts' balance of £18,839 million has not changed. CFRs is a new heading this year and so the 31 March 2011 information has been reclassified accordingly. CFRs comprise amounts surrendered as Consolidated Fund Extra Receipts ('CFERs'), Trust Statement income and negative Supply from departments with a negative Net Cash Requirement. Prior to CLOS these were almost entirely classified and disclosed as CFERs. Two items now treated as CFRs were not reported as CFERs last year. To produce comparable figures these two items have been added to last year's reported CFER balance of £18,222 million to produce a CFR balance for 2010-11 of £18,362 million, an increase of £140 million (less than 1 per cent). The additional items were £90 million of OFGEM revenue in respect of the surplus on the Fossil Fuel Levy account and £50 million from the Financial Assistance Scheme Asset Transfer, both of which were disclosed separately last year.

The increase in CFRs is predominantly due to a receipt of £6.3 billion received from the Department for Communities and Local Government in respect of reforms to the Housing Revenue Account. There has been a general decrease in the remaining CFRs of £2.4 billion compared to 2010-11, as a result of departments being able to retain more of their income. The most significant decrease is the Department for Environment, Food and Rural Affairs (Defra) where total receipts surrendered to the CF have fallen from £2.3 billion in 2010-11 to £0.3 billion in 2011-12.

Prior year over-issues of Supply repaid have increased by £349 million on last year. £334 million of this is in respect of Supply previously paid to the Department for Transport (DfT) which was subsequently surrendered as a Consolidated Fund receipt.

Current year over-issues of Supply of £14 million arose in 2011-12 due to the reduction of the net cash requirement of the UK Atomic Energy Authority Pension Scheme. £14 million of current year over-issued supply had to be returned in year to the CF.

DVLA revoked their trading fund status on 1 April 2011 and adopted executive agency status. As part of this process, £19 million was paid into the CF in 2010-11 to extinguish their Public Dividend Capital.

The following analysis sets out the receipts surrendered to the CF by the highest value remitters during 2011-12.

Receipts surrendered to the Consolidated Fund

	Remitter	**2011-12 £m**	2010-11 £m
1.	Department for Communities and Local Government	**6,668**	1,026
2.	HM Treasury	**5,891**	5,845
3.	BBC Licence Fee Revenue	**3,145**	3,068
4.	Department of Energy and Climate Change	**1,621**	847
5.	Department for Transport	**903**	949
		18,228	11,735
	Other	**4,107**	6,627
	Total	**22,335**	18,362

Receipts from the Department for Communities and Local Government are high in 2011-12 as a result of reforms to the Housing Revenue Account. HM Treasury remittances to the CF are high in both years due to receipts from the government's previous financial sector interventions. The Department of Energy and Climate Change surrendered £1.2 billion in 2011-12 collected by the Nuclear Decommissioning Agency (NDA). This is the first year in which NDA income has been surrendered to the CF, following CLOS reforms.

In 2010-11, Defra and the National Health Service Pension Scheme were included in the above list, with receipts surrendered of £2.3 billion and £1.8 billion respectively. Amounts surrendered in 2011-12 were £0.3 billion and £0.8 billion respectively.

4 Analysis of Supply Services

4a Supply Services issues and repayments

		2011-12	2010-11
		£m	£m
Supply Issues			
For current year		**448,394**	458,524
For previous years		**950**	564
Supply Services issued		**449,344**	459,088
Current year over-issues surrendered in cash	(Note 3)	**(14)**	–
Prior year over-issues surrendered in cash	(Note 3)	**(351)**	(2)
Net Supply Services issued		**448,979**	459,086

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

4b Supply Services analysed by period

		2011-12 £m	2010-11 £m	2009-10 £m
Year for which Supply granted:				
Positive Net Cash Requirement		**462,781**	488,866	518,147
Negative Net Cash Requirement		**(5,467)**	–	–
Excess Vote		**n.a**	347	–
Total Net Supply granted by Parliament		**457,314**	489,213	518,147
Surplus not required (as reported)		**n.a**	(30,840)	(20,330)
Revised Total Net Cash Requirement outturns reported by government departments		**n.a**	458,373	497,817
Year of Payment/(Receipt):				
2009-10	Issues made in year	**–**	–	494,487
	Prior year issues applied to a subsequent year	**–**	–	5,624
	Prior year over-issues surrendered in cash	**–**	–	–
2010-11	Issues made in year	**–**	458,524	564
	Prior year issues applied to a subsequent year	**–**	2,856	(2,856)
	Prior year over-issues surrendered in cash	**–**	–	(2)
2011-12	Issues made in year	**448,394**	603	–
	Current year over-issues surrendered in cash	**(14)**	–	–
	Prior year issues applied to a subsequent year	**3,593**	(3,593)	–
	Prior year over-issues surrendered in cash	**(334)**	(17)	–
Total		**n.a**	458,373	497,817

Note 4b analyses the receipts and payments of Supply according to the year for which the Supply was granted. The Net Cash Requirement for 2011-12 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 2012-13 Consolidated Fund 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. In 2011-12 the amounts approved by Parliament and paid from the Consolidated Fund in respect of cash excess votes incurred during 2010-11 were £335 million for the Department for Transport and £12 million for the Teachers' Pension Scheme.

4c Departmental Drawings

The following analysis sets out the cash supplied to the 10 highest drawing departments during 2011-12. Details of how Supply has been spent can be found in each of the departmental Annual Reports and Accounts.

Cash Supplied by the Consolidated Fund

	Department	2011-12 £m	2010-11 £m
1.	Department of Health	**85,885**	84,400
2.	Department for Work and Pensions	**82,888**	82,462
3.	Department for Education	**56,406**	57,989
4.	Ministry of Defence	**37,589**	37,757
5.	Department for Communities and Local Government	**31,824**	37,627
6.	Scotland Office	**26,187**	–
7.	Department for Business, Innovation and Skills	**22,177**	24,052
8.	HM Revenue and Customs	**15,909**	16,164
9.	Department for Transport	**13,587**	12,914
10.	Northern Ireland Office	**13,369**	13,666
		385,821	367,031
	Other	**63,523**	92,057
	Total	**449,344**	459,088

Since 1 April 2011 Scotland and Wales have had their own Votes. Previously, amounts relating to the Scotland and Wales Offices were drawn down from the Ministry of Justice. In 2010-11 the Ministry of Justice was included in the above list, with cash supplied of £48,895 million. In 2011-12 its cash drawings were £8,660 million. Cash supplied to the Wales Office in 2011-12 was £12,796 million.

5 United Kingdom contributions to the Budget of the European Union

Member States' contributions to the Budget of the European Union are made on the basis of the financing system set out in the Own Resources Decision (ORD) which was agreed by all Member States and incorporated into UK law by virtue of the European Communities (Finance) Act 2008.

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. Payments are made based on 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 Union 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 Union 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 Union.

	Contribution for year ended 31 March 2012	Adjustment of prior years' contributions	2011-12 Total	2010-11 Total
	£m	**£m**	**£m**	£m
Customs duties	**2,196**	**–**	**2,196**	2,226
Sugar levies	**9**	**–**	**9**	8
VAT contribution (before abatement)	**2,252**	**24**	**2,276**	2,267
Fourth resource contributions	**11,230**	**(11)**	**11,219**	11,092
	15,687	**13**	**15,700**	15,593
UK abatement	**(3,680)**	**163**	**(3,517)**	(2,678)
UK's total contribution to EU Budget	**12,007**	**176**	**12,183**	12,915

Contingent liabilities relating to the Budget of the European Union are described in Note 11.

The UK's contribution as a Member State to the EU budget varies from year to year. In 2011-12, total UK contributions to the EU were £12.2 billion compared to a marginally higher total contribution of £12.9 billion in 2010-11.

6a Other Consolidated Fund Standing Services payments

	Notes	2011-12 £ 000	2010-11 £ 000
Civil List, Annuities and Pensions			
Civil List payments		**9,513**	9,513
Royal Household Pension Scheme	(7d)	**3,635**	3,861
Pensions for Judicial Services	(8)	**52,374**	49,349
MEPs' pensions	(7d)	**1,393**	1,763
Political and Public Service pensions	(8)	**575**	524
Civil List pensions	(8)	**130**	133
Salaries and Allowances			
Courts of Justice		**151,761**	153,714
Members of the European Parliament		**456**	434
Political and Public	(6b)	**1,335**	1,358
Miscellaneous Services			
Election and referendum expenses		**86,054**	115,594
Advances to HMRC in support of revenue	(2)	**11,444,000**	9,334,000
Royal Mint	(9)	**11,762**	6,552
Miscellaneous refunds		**3,462**	5,913
HMRC repayment		**–**	3,627,040
Other		**–**	2,195
Total		**11,766,450**	13,311,943

The repayment made to HMRC in 2010-11 of £3.6 billion was in respect of underfunding of the National Insurance Fund (NIF) in previous years by HMRC. HMRC uses an estimation process to allocate gross receipts between Income Tax and National Insurance until information to make a more accurate split is available from PAYE schemes' end of year returns. Analysis showed that in 2007-08, 2008-09 and 2009-10 adjustments to the estimates were not implemented and so this payment was made to correct the position. No such payment was required in 2011-12.

Note 12 contains information on a post balance sheet event relating to the Civil List.

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 for which specific statutory powers exist enabling the CF to make such payments, and the associated employers' national insurance contributions.

The payments to office holders are shown below and do not include employers' national insurance contributions. In line with the rest of the CF accounts, these are reported on a payments basis. Any backdated payments are reported in the year they are paid. Full Year Equivalents are also reported for information where the office holder only served for part of the year.

6bi Payments to holders of Political Posts

	2011-12 Salary and full year equivalent (FYE) £	2010-11 Salary and full year equivalent (FYE) £
The Rt Hon David Cameron MP [1]	**–**	2,411
Leader of the Opposition – HOC (to 12 April 2010)		*(FYE 72,326)*
The Rt Hon Harriet Harman MP [2, 3]	**–**	40,200
Leader of the Opposition – HOC (from 12 May 2010 to 24 September 2010)		*(FYE 63,098)*
The Rt Hon Edward Miliband MP [2]	**63,098**	32,601
Leader of the Opposition – HOC (from 25 September 2010)		*(FYE 63,098)*
The Rt Hon Lord Strathclyde [1, 4]	**–**	3,687
Leader of the Opposition – HOL (to 12 April 2010)		*(FYE 110,606)*
The Rt Hon Baroness Royall of Blaisdon [5]	**105,076**	95,521
Leader of the Opposition – HOL (from 12 May 2010)		*(FYE 105,076)*
The Rt Hon Patrick McLoughlin MP [1]	**–**	1,355
Opposition Chief Whip – HOC (to 12 April 2010)		*(FYE 40,646)*
The Rt Hon Nicholas Brown MP [3]	**–**	27,136
Opposition Chief Whip – HOC (from 12 May 2010 to 7 Oct 2010)		*(FYE 41,370)*
The Rt Hon Rosie Winterton MP [2]	**33,002**	15,880
Opposition Chief Whip – HOC (from 8 Oct 2010)		*(FYE 33,002)*
Andrew Robathan MP [1]	**–**	872
Deputy Opposition Chief Whip – HOC (to 12 April 2010)		*(FYE 26,158)*
The Rt Hon John Spellar MP [3]	**–**	17,535
Deputy Opposition Chief Whip – HOC (from 12 May 2010 to 8 Oct 2010)		*(FYE 26,624)*
The Rt Hon Alan Campbell MP [2]	**19,239**	9,206
Deputy Opposition Chief Whip – HOC (from 9 Oct 2010)		*(FYE 19,239)*

	2011-12 Salary and full year equivalent (FYE) £	2010-11 Salary and full year equivalent (FYE) £
Baroness Anelay of St Johns [1, 4] *Opposition Chief Whip – HOL (to 12 April 2010)*	**–**	3,505 *(FYE 105,161)*
Lord Bassam of Brighton [5] *Opposition Chief Whip – HOL (from 12 May 2010)*	**99,903**	90,758 *(FYE 99,903)*
John Randall MP [1] *Assistant Opposition Chief Whip – HOC (to 12 April 2010)*	**–**	872 *(FYE 26,158)*
Tony Cunningham MP [6, 3] *Assistant Opposition Chief Whip – HOC (from 12 May 2010 to 9 Oct 2011)*	**14,895** *(FYE 19,239)*	20,541 *(FYE 19,239)*
Mark Tami MP *Assistant Opposition Chief Whip – HOC (from 10 Oct 2011)*	**9,154** *(FYE 19,239)*	–
The Rt Hon John Bercow MP [1, 7] *Speaker – HOC (from 22 June 2009)*	**75,766**	78,140 *(FYE 75,766)*
The Rt Hon Jack Straw [8, 3] *Lord Chancellor (to 13 May 2010)*	**–**	28,857 *(FYE 78,356)*
The Rt Hon Kenneth Clarke [2] *Lord Chancellor (from 14 May 2010)*	**68,827**	60,686 *(FYE 68,827)*

1 The above salaries were paid at the 1 November 2007 salary rate, rather than the entitled salary. There was no entitled pay increase in 2010-11 or 2011-12.

2 The above political offices agreed to take an overall 5% pay cut in their claimed annual salaries in 2010-11 and 2011-12, where they were entitled to a salary in that year.

3 In 2010-11 the above office holders received a severance payment equal to one quarter of the annual office holder's salary under the Ministerial and Other Pensions and Salaries Act 1991. No other severance payments were made. This payment is included in the figures above. The payments made to each individual were; H Harman – £15,775; N Brown – £10,343; J Spellar – £6,656; J Straw – £19,589. In 2011-12 T Cunningham received a severance payment equal to one quarter of the annual office holder's salary under the Ministerial and Other Pensions and Salaries Act 1991 of £4,810. This payment is included in the above figures.

4 The salary figures include a night time subsistence allowance, payable under legislation to the value of £38,280 per annum from 1 August 2009.

5 The above offices were appointed in May 2010 at the full rate due to their appropriate office, however in November 2010 they agreed to take a 5 per cent pay cut and this is reflected in the FYE figures for 2010-11 and 2011-12 above. The figures also includes the Lords night-time allowance at a rate of £36,366 p.a. which is a 5 per cent reduction of the entitled night-time allowance of £38,280.

6 The above office holder was appointed in May 2010 at the full rate due to his appropriate office, however in November 2010 he agreed to take a 5 per cent pay cut in claimed salary and this is reflected in the FYE figures above for 2010-11 and 2011-12.

7 In 2009-10 John Bercow waived a portion of his entitled salary to take an annual salary (FYE) of £78,356. For the majority of 2010-11 this rate continued. In February 2011 John Bercow agreed to take the 5 per cent pay cut (on his claimed salary) in line with the rest of government. This reduced his annual salary (FYE) to £75,766 with effect from 1 March 2011.

8 The previous Lord Chancellor had chosen to limit his salary to the same level as that received by a Secretary of State in the Commons. He was paid at the 31 March 2008 rate until 13 May 2010. Details for the Lord Chancellor are also disclosed in the Ministry of Justice's Annual Report and Accounts. The Lord Chancellor's payments are made as part of the Courts of Justice payroll in note 6a but are included here to give a complete report of payments to politicians from the CF.

Pensions are paid from the CF to former Prime Ministers, Speakers and Lord Chancellors in accordance with legislation (note 8).

The Consolidated Fund does not pay any other expenses or allowances or make any other payments to MPs.

6bii Payments to Public Office holders

	2011-12 Salary and full year equivalent (FYE) £	2010-11 Salary and full year equivalent (FYE) £
Amyas Morse [1] *Comptroller and Auditor General*	**210,000**	210,000
Ann Abraham [2] *Parliamentary and Health Service Ombudsman (to 2 Jan 2012)*	**130,494** ***(FYE 172,753)***	172,753
Dame Julie Mellor [2] *Parliamentary and Health Service Ombudsman (from 3 Jan 2012)*	**37,183** ***(FYE 152,000)***	–
Douglas Bain [3] *Northern Ireland Chief Electoral Officer (to 8 Oct 2010)*	**–**	49,471 *(FYE 94,860)*
Graham Shields [3] *Northern Ireland Chief Electoral Officer (from 11 Oct 2010)*	**58,200** ***(FYE 58,200)***	27,535 *(FYE 58,200)*
Christopher Graham [4] *Information Commissioner*	**140,000**	140,000
Jenny Watson [5] *Senior Electoral Commissioner*	**101,500**	101,500
Ian Kelsall [5] *Electoral Commissioner (fee based)*	**16,348**	15,813
Max Caller [5] *Electoral Commissioner (fee based)*	**22,453**	23,722
Henrietta Campbell [5] *Electoral Commissioner (fee based) (to 31 Dec 2011)*	**9,525**	14,373
Anna Carragher [5] *Electoral Commissioner (fee based) (from 1 Jan 2012)*	**3,595**	–
John McCormick [5] *Electoral Commissioner (fee based)*	**22,985**	23,522
Baroness Angela Browning [5] *Electoral Commissioner (fee based) (from 1 Oct 2010)*	**719**	3,055
Counsellor George Reid [5] *Electoral Commissioner (fee based) (from 1 Oct 2010)*	**9,518**	2,334
Lord Roy Kennedy of Southwark [5] *Electoral Commissioner (fee based)(from 1 Oct 2010)*	**6,650**	2,876
David Howarth [5] *Electoral Commissioner (fee based)(from 1 Oct 2010)*	**9,344**	4,494

1 Details of the Comptroller and Auditor General salary are also disclosed in the National Audit Office Annual Report and Accounts.

2 Details of the Parliamentary and Health Service Ombudsman salary are also disclosed in the Parliamentary and Health Service Ombudsman Annual Report and Accounts.

3 Details of the Northern Ireland Chief Electoral Officer salary are also disclosed in the Northern Ireland Chief Electoral Officers Report.

4 Details of the Information Commissioners salary are also disclosed in the Information Commissioners Annual Report and Accounts.

5 Details of the Senior Electoral Commissioner and Electoral Commissioners salaries are also disclosed in the Electoral Commissions Annual Report and Accounts.

Pensions are payable from the CF to former Comptroller and Auditor Generals, Parliamentary Commissioners, Information Commissioners, Northern Ireland Chief Electoral Officers and Senior Electoral Commissioners. 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.

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. 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 yield available on AA corporate bonds. The rate to use is advised by HM Treasury each year in accordance with chapter 12 of the Government's Financial Reporting Manual. Actuarial gains and losses are recognised in full as they occur.

7a Actuarial assessment assumptions

Roll-forward actuarial assessments were carried out for the Royal Household Pension Scheme and MEPs under the European Parliament (UK Representatives) Pension Scheme, as at 31 March 2012. Both actuarial assessments were performed by the Government Actuary's Department. The major assumptions used by the actuary for both schemes were:

	At 31 March 2012 % per annum	At 31 March 2011 % per annum
Rate of increase in salaries	**4.25**	4.90
Discount rate	**4.85**	5.60

Life Expectancy

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

	At 31 March 2012		At 31 March 2011	
	Men (years)	**Women (years)**	Men (years)	Women (years)
Current pensioners	**24.9**	**26.1**	24.4	25.0
Future pensioners	**25.7**	**26.9**	26.3	26.7

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

	At 31 March 2012		At 31 March 2011	
	Men (years)	**Women (years)**	Men (years)	Women (years)
Current pensioners	**29.0**	**32.4**	29.2	32.5
Future pensioners	**31.5**	**35.0**	30.7	33.9

In addition, two further assumptions were used by the actuary for the Royal Household Pension Scheme:

	At 31 March 2012 % per annum	At 31 March 2011 % per annum
Rate of increase in pension payments	**2.00**	2.65
Inflation assumption	**2.00**	2.65

7b 2011-12 Expenditure and income

	2011-12 RH £000	2011-12 MEPs £000	2011-12 Total £000	2010-11 Total £000
Expenditure				
Current service costs (including employee contributions)	**1,199**	**100**	**1,299**	1,554
Interest on scheme liability	**4,895**	**1,500**	**6,395**	5,803
Total expenditure	**6,094**	**1,600**	**7,694**	7,357
Income				
Pension contributions receivable:				
Employers' contributions	**869**	**–**	**869**	930
Employees' contributions	**89**	**41**	**130**	152
Past service cost	**–**	**–**	**–**	9,562
Total income	**958**	**41**	**999**	10,644
Net (income)/expenditure	**5,136**	**1,559**	**6,695**	(3,287)

In the UK Budget Statement of 22 June 2010, the Chancellor of the Exchequer announced that, with effect from 1 April 2011, the government would use the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) for the price indexation of benefits and tax credits; and this would also apply to public service pensions through the statutory link to the indexation of the Second State Pension. The change from RPI to CPI for the purposes of uprating index-linked features of post employment benefits was recognised as a negative past service cost in accordance with IAS 19 in 2010-11.

7c Movement in liabilities during the year

	2011-12 RH £ 000	2011-12 MEPs £ 000	2011-12 Total £ 000	2010-11 Total £ 000
Scheme Liability at beginning of the year	**(88,617)**	**(27,841)**	**(116,458)**	(137,102)
Current service costs	**(1,110)**	**(59)**	**(1,169)**	(1,402)
Employee contributions	**(89)**	**(41)**	**(130)**	(152)
Benefit payments (note 6a, 7d)	**3,635**	**1,393**	**5,028**	5,624
Net individual pension transfers	**–**	**–**	**–**	16
Other finance charges – interest	**(4,895)**	**(1,500)**	**(6,395)**	(5,803)
Past service cost	**–**	**–**	**–**	9,562
Total	**(91,076)**	**(28,048)**	**(119,124)**	(129,257)
Actuarial gain / (loss) (note 7e)	**(615)**	**(3,200)**	**(3,815)**	12,799
Liability at end of year	**(91,691)**	**(31,248)**	**(122,939)**	(116,458)

The above movement in liabilities is based on the actuarial assessments at 31 March 2012. The increase in liability is mainly due to the change in the financial assumptions used.

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 Annual Report and Account.

	2011-12	**2011-12**	**2011-12**	2010-11
	RH £000	**MEPs £000**	**Total £000**	Total £000
Total pension paid	**3,360**	**1,605**	**4,965**	4,812
Commutation and lump sum benefits	**275**	**139**	**414**	1,144
Total pension benefits paid (note 7c)	**3,635**	**1,744**	**5,379**	5,956
Less: increase element of MEPs' pensions borne by the Civil Service Superannuation Annual Report and Account	**–**	**(351)**	**(351)**	(332)
Total borne by the Consolidated Fund	**3,635**	**1,393**	**5,028**	5,624

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

	2011-12	**2011-12**	**2011-12**	2010-11
	RH £000	**MEPs £000**	**Total £000**	Total £000
Gains arising on scheme liabilities	**(429)**	**–**	**(429)**	(3,769)
Changes in assumptions underlying the present value of liabilities	**1,044**	**3,200**	**4,244**	(9,030)
Total	**615**	**3,200**	**3,815**	(12,799)

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 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 for the reasons given below.

Pensions for judicial services – Liabilities in respect of this scheme are included in the Judicial Pension Scheme Annual Report and Account. Payments from the Consolidated Fund in respect of this scheme in 2011-12 amounted to £52.4 million (£49.3 million in 2010-11).

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 £130,000 was paid from the Consolidated Fund in 2011-12 in respect of these pensions (£133,000 in 2010-11). This is not material to the Consolidated Fund.

Pensions for Parliamentary Officers for political and civil services provided – relate to pensions for former Prime Ministers, Speakers, Comptroller and Auditor Generals, Parliamentary Commissioners, Information Commissioners, Northern Ireland Chief Electoral Officers and Senior Electoral Commissioners. No other position in Parliament has entitlement to a pension from the CF. In total, a sum of £575,000 was paid from the Consolidated Fund in 2011-12 in respect of these pensions (£524,000 in 2010-11), and is not material to the CF. The actuarial liability falling on the Consolidated Fund, across all these schemes, has been assessed at £7.5 million at 31 March 2012 (£7.6 million at 31 March 2011) which is also not material to the CF.

Former Prime Ministers, Speakers and Lord Chancellors are entitled to a pension from the CF in accordance with legislation. The entitled pension is half of the entitled salary per year, irrespective of length of service, payable from leaving office, for life. Two of the current post holders, David Cameron and Kenneth Clarke, have waived their legislative pension and have agreed instead to take a pension in line with the Parliamentary Contributory Pension Fund (PCPF) as did their immediate predecessors. With the exception of the pension commencement lump sum, any severance payment, on leaving office, and any death in service benefits, the pension payments received under the PCPF will be lower than the legislative pension that has been waived. This will be paid from the CF. No other position in Parliament is entitled to a pension from the CF.

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 in the financial year will become entitled to a pension payable from the CF. There is no cash equivalent transfer value for these pensions as they are not transferrable from the CF.

	Total accrued pension at age 65 at 31 March 2012 Range £000	Real increase in pension at age 65 Range £000
David Cameron *Prime Minister*	**5-10**	0-5
Kenneth Clarke *Lord Chancellor*	**75-80**	0-5

David Cameron's pension payable from the CF consists only of ministerial benefits earned from 13 April 2010 when he became Prime Minister. The pension he is entitled to as an MP is payable from the PCPF. Kenneth Clarke's pension payable from the CF comprises all MP and ministerial benefits accrued since becoming an MP, as the legislation relating to the Lord Chancellor dictates that the whole pension is to be paid from the CF.

	Total accrued pension at age 65 at 31 March 2012[1] Range £000	Real increase in pension at age 65 Range £000
John Bercow *Speaker – House of Commons*	**35-40**	0-5
Amyas Morse [2] *Comptroller and Auditor General*	**–**	–
Julie Mellor Parliamentary and Health Service Ombudsman	**0-5**	0-5
Christopher Graham Information Commissioner	**5-10**	0-5
Graham Shields Northern Ireland Chief Electoral Officer	**0-5**	0-5
Jenny Watson Senior Electoral Commissioner	**5-10**	0-5

1 The value of the accrued pension has been disclosed at age 65 instead of age 60, which is required by the Government Financial Reporting Manual, because the above office holders are members of the Nuvos pension scheme which has a retirement age of 65.

2 Amyas Morse has waived his pension due to him as Comptroller and Auditor General.

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 Annual Report and Accounts (£34.3 million in 2011-12 and £28.5 million in 2010-11).

Sums due to the Consolidated Fund:

	2011-12 £m	2010-11 £m
Balance at 1 April	**2**	6
Coins issued	**123**	151
Cash received by Consolidated Fund (Note 3)	**(118)**	(155)
Coins redeemed	**(16)**	(7)
Cash paid by Consolidated Fund (Note 6a)	**12**	7
Balance at 31 March	**3**	2

10 Investments

a European Investment Bank

Section 2 paragraph 3 of the European Communities Act 1972 provides for payments in respect of the capital or reserves of the European Investment Bank (the 'EIB'), or in respect of loans to the European Investment Bank, to be made from the Consolidated Fund.

The UK's interest in the EIB is a non-current 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 of the EIB 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, reported in the EIB's latest Financial Statements as at 31 December 2011, was worth €6,868,627,000 as at 31 March 2012 (16.17 per cent worth €6,498,047,000 at 31 March 2011). No new cash was invested in 2011-12 or in 2010-11.

	2011-12 £m	2010-11 £m
European Investment Bank		
At 1 April	**5,752**	5,492
Change due to exchange rate movements	**(337)**	(43)
Change due to increase in EIB net assets	**309**	303
At 31 March	**5,724**	5,752

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.

	2011-12 £m	2010-11 £m
Land Registry Public Dividend Capital		
At 31 March	**62**	62
Total non-current investments at end of year	**5,786**	5,814

11 Contingent liabilities

The normal convention is for contingent liabilities that would fall on the Consolidated Fund to be reported in the appropriate departmental Annual Report and Accounts. However, some contingent liabilities have been identified that fall outside these arrangements, so they are reported here instead. The following contingent liability is reportable under IAS 37:

	At 31 March 2012 £m	At 31 March 2011 £m
European Investment Bank: Callable capital subscription	**29,749**	–

The latest EIB financial statements at 31 December 2011, show the UK is liable for €35,699 million of callable capital to the EIB (£29,749 million) (31 December 2010: €35,699 million, or £31,600 million). 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. During the year, the likelihood that Member States will be called upon to pay the remaining capital has changed from remote to possible due to ongoing market turbulence as a result of the eurozone sovereign debt crisis and related rating agency activity in the last twelve months, and the contingent liability has therefore become reportable under IAS 37.

In June 2012, the European Council endorsed a proposal to increase the total paid in Capital of the European Investment Bank by €10 billion. Further information is provided in note 12.

All the following contingent liabilities fall outside the scope of IAS 37 as the possibility of an outflow of resources is remote. However, disclosure of these liabilities is necessary under Parliamentary accountability requirements. These are as follows:

	At 31 March 2012 £m	At 31 March 2011 £m
EU Budget: Guarantees on borrowing and lending operations	**6,291**	5,106
Of which European Financial Stabilisation Mechanism	**2,066**	1,047
Of which Balance of Payments Facility	**1,547**	1,334
European Investment Bank: Callable capital subscription	**–**	31,600
Value of UK coins in circulation	**4,052**	4,020

Loans Guaranteed by the EU Budget

The first item above represents the UK's maximum liability from current outstanding loans to EU Member States and Third Countries. This comprises guaranteed loans to EU Member States, including outstanding support from the EU's Balance of Payments Facility and the European Financial Stabilisation Mechanism; and guarantees to Third Countries, including via Macro Financial Assistance.

The EU's Balance of Payments Facility offers up to €50 billion in medium-term financial assistance for EU countries outside the euro area. Outstanding support from the Balance of Payments Facility is currently in respect of Hungary, Latvia and Romania.

The European Financial Stabilisation Mechanism (EFSM) allows the Union to grant up to €60 billion in financial assistance to any EU Member State. In May 2011 EU finance ministers agreed a three year international financial assistance package for Portugal of which €26 billion was to be provided through the EFSM. This is in addition to the three year international financial assistance package for Ireland that was agreed in December 2010, of which €22.5 billion is being provided by the EFSM.

Guarantees to Third Countries include support to Bosnia-Herzogovina, Georgia and Serbia and Montenegro for Macro Financial assistance purposes and other specific projects. Also included are loans made by the EIB to Third Countries and some EU Member States prior to their accession to the EU. For loans provided to Third Countries, there is a Guarantee Fund (which targets 9 per cent of outstanding loans) to provide for the event of default. In order for the Guarantee Fund to maintain its 9 per cent target size, it is funded from the general budget of the EU. The UK's estimated share of this is included in the figures above (£205 million in 2011-12 and £204 million in 2010-11).

All loans are guaranteed by the EU Budget and the liability will only crystallise if the loans are defaulted on. The European Commission periodically prepares reports showing the total capital outstanding. The latest report is at June 2011, which shows total capital outstanding at €54,503 million (June 2010: €40,964 million). In the event of default, the precise UK share of this liability is determined by the Own Resources Decision on financing the EU budget (Note 5). As a maximum, however, it is estimated the UK's share would be around 13.85 per cent (£6,291 million) of the total (2010-11: 14.08 per cent, £5,106 million).

Further information on the European Financial Stabilisation Mechanism

The Commission's most recent report on the total capital outstanding on loans guaranteed by the EU budget reflects the position as at 30 June 2011. However, we have provided below more recent figures for the capital outstanding under the European Financial Stabilisation Mechanism, up to 31 March 2012.

As at 31 March 2012, the total drawdown from funds committed by the EFSM is €34 billion. The total drawdown is in respect of Ireland (€18.4 billion) and Portugal (€15.6 billion). At 31 March 2012, therefore, the UK's estimated current liability would be around 13.85 per cent of the total drawdown of €34 billion (£3,924 million).

A further €4.1 billion in undisbursed funds is available to Ireland and a further €10.4 billion in undisbursed funds is available to Portugal. If the total amount available for both programmes (€48.5 billion) were to be drawn, the UK's estimated liability would be around 13.85 per cent or £5,598 million.

UK Coins in circulation

As at 31 March 2011, the estimated value of coins in circulation was £4,020 million. This increased by £32 million to £4,052 million at 31 March 2012. The contingent liability of £4,052 million represents the CF's potential obligation in respect of returned coins. During 2011-12, £11.8 million was redeemed from the Consolidated Fund as a standing service payment (note 6a). (2010-11: £6.6 million).

12 Events after the reporting period

The Sovereign Grant Act 2011 came into effect from 1 April 2012. The Act provides for a new consolidated Sovereign Grant payment to support Her Majesty the Queen in her official duties. As a result, the Civil List which was the former funding provided by Parliament and paid out of the Consolidated Fund to meet the official expenses of the Queen's Household, no longer exists. The Sovereign Grant will be paid each year through the Treasury Estimate. The Consolidated Fund will continue to provide a Parliamentary annuity for the Duke of Edinburgh.

On 28-29 June 2012, the European Council endorsed a proposal to increase the paid in Capital of the European Investment Bank by €10 billion. It is anticpated this capital increase will support additional EIB lending of up to €60 billion over the next three to four years. The UK's contribution to the capital increase will be €1.6 billion (in line with its 16.17 per cent shareholding). The proposal will now be submitted to EIB Governors for their approval. This is not expected to change the UK's current contingent liability to the EIB.

13 Related Parties

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

14 Date of authorisation for issue of account

The Accounting Officer authorised these financial statements for issue on 10 July 2012.

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