
Central Government Supply Estimates 2005-06

Statement of Excesses

March 2007



HM TREASURY

Central Government Supply Estimates 2005-06

Statement of Excesses

for the year ending 31 March 2006

*Presented by Command of Her Majesty
Ordered by the House of Commons to be printed
5 March 2007*

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ISBN: 978-0-10-294443-3

PU160

Printed by The Stationery Office

Introduction

1. This Statement of Excesses sets out the amounts of resource and cash that the Government requests Parliament to grant in Excess Votes.
2. Excess Votes are presented if expenditure of resources or cash has exceeded the provision in the Main, Revised and Supplementary Estimates approved by Parliament and authorised in Appropriation Acts.
3. Before any Excess Votes are sought, the resource accounts for each Estimate are prepared by the relevant department. The accounts are examined and certified by the Comptroller and Auditor General and laid before the House of Commons. A report by the Comptroller and Auditor General is made on any such accounts where expenditure of resources or cash exceeds the amounts, or falls outside the categories of expenditure, authorised by Parliament.
4. Parliament votes amounts for Requests for Resources (RfRs) that are net of income that a department may appropriate in aid of such expenditure. It separately limits the amounts of such income that may be so appropriated. Together, these amounts represent the gross provision. Parliament also votes a Net Cash Requirement that is net of receipts arising from such income. An Excess Vote must therefore be sought even where sufficient surplus income and, as necessary, associated cash receipts, are available to be appropriated in aid of excess expenditure. In such cases, the Excess Vote is for only a token sum of £1,000.
5. A Statement of Excesses is presented to Parliament towards the end of the financial year following the one to which it relates. Under House of Commons Standing Orders, if the Committee of Public Accounts has reported that it sees no objection to the sums necessary being provided by Excess Vote, the question on the motion to approve them is put without debate. Authorisation of additional resources and issues from the Consolidated Fund in respect of Excess Votes are given legislative authority in the March Appropriation Act.
6. Part I shows the net total amount of Excess Votes. There were three Excess Votes in 2005-06. Part II provides a Statement of Excesses for each Estimate concerned. Part III provides an explanation of the reasons for each excess.

2005-06**STATEMENT OF EXCESSES**

Part I	Total net resource requirement	£ 795,801,000
	Total net cash requirement	£ 4,956,000

STATEMENT of the amounts required to be voted in order to make good excesses for the year ended 31 March 2006

Part II Summary of 2005-06 Statement of Excesses by Department

Request for Resources (RfR)	Title	Resources		Cash	
		Excess £	Amount to be voted £	Excess £	Amount to be voted £
1	National Health Service Pension Scheme National Health Service Pension Scheme Excess expenditure	788,227,000	788,227,000	-	-
1	Assets Recovery Agency Helping to reduce crime by recovering the proceeds of crime through criminal confiscation, civil recovery and taxation Excess expenditure <i>Less:</i> (i) Surplus income available to be appropriated as operating appropriations in aid	6,779,000 <u>114,000</u>	6,665,000	5,070,000 <u>114,000</u>	4,956,000
1	House of Commons: Members Members' salaries, allowances and other costs Excess expenditure	909,000	909,000	-	-
Totals to be voted			795,801,000		4,956,000

TREASURY CHAMBERS

JOHN HEALEY

March 2007

Part III Explanations

National Health Service Pension Scheme

Excess expenditure over the net Estimate provision for RfR1 (National Health Service Pension Scheme) amounted to £788,227,000 of resources.

This resource excess of £788million was due to a combination of higher than expected expenditure of £586 million and £202million lower than expected receipts appropriated in aid of the Vote.

The £586million overspend related to:

- In April 2006, the Scheme Actuary advised Scheme Managers that they had omitted £2.7billion of 31 March 2005 liabilities from the valuation of Scheme liabilities, relating to hospital service of General Medical Practitioners. Reinstatement of these liabilities entailed unexpected additional charges of £565million in 2005-06.
- The Scheme Managers underestimated the interest on Scheme liabilities charges by £200million.
- Enhancements to pensions exceeded forecast by £15million.
- Lower than expected expenditure in other areas of £194million

The shortfall against expected levels of income of £202million related to:

- Additional pension contributions to the Scheme and transfers in to the Scheme being £125million and £43million, respectively, lower than forecast.
- Contribution income from premature retirements, resulting from the restructuring of Primary Care Trusts under the National Health Service's Agenda for Change Initiative, being £28million lower than forecast.
- Charges to employers to recover the pension costs of staff retired early being £5million lower than forecast.

Parliamentary authority is sought to provide for the excess expenditure by an Excess Vote.

Assets Recovery Agency

Excess expenditure over the gross Estimate provision for RfR1 (Helping to reduce crime by recovering the proceeds of crime through criminal confiscation, civil recovery and taxation) amounted to £6,779,000 of resources and £5,070,000 of cash.

The resource excess occurred because the Agency did not seek parliamentary approval to apply income from its recovered assets activities to meet expenditure on receivers' fees, (£6.1million), or funding received from the Home Office from the Recovered Asset Incentivisation Fund (RAIF) towards the cost of incentivisation activities (£0.7million).

These two issues contributed £4.6million of the cash excess of £5.1million against the Agency's Net Cash Requirement and a further £0.5million was because the Agency did not accurately forecast other cash expenditure

The introduction of the Serious Organised Crime and Police Act 2005 permitted the Director of the Assets Recovery Agency to apply from 1 July 2005 sums received from civil recoveries to meet the remuneration and expenses of any interim receiver appointed to recover assets. But the Agency did not appreciate that parliamentary approval was also required through the Supply process. Subsequently, the Agency budgeted for the income from the recovered assets to offset the costs of the receivers' fees. It should have presented a Supplementary Estimate both to seek an increase in gross expenditure on the fees and to appropriate a matching amount of fee income in aid of the Vote.

Part III Explanations (continued)

The remainder of the excess results from changes in the way the Home Office provided funding for the Agency from the RAIF. This Fund is used to finance projects that help to increase the recovery of the proceeds of crime. During 2005-06, the Home Office changed their method of providing funds to the Agency from a transfer from the Home Office's Supply Estimate to a quarterly reimbursement in arrears based on the Agency's accounting returns. The Agency did not recognise that this change affected its own Supply Estimate. It did not, therefore, secure parliamentary approval for funding from the Home Office to be applied as appropriations in aid for expenditure on RAIF activities.

There was, however, surplus income of classes authorised to be used as operating appropriations in aid and associated cash amounting to £114,000. Parliamentary authority is sought to apply the total of this surplus appropriations in aid and the total amount of the associated cash towards meeting these excesses leaving additional resources of £6,665,000 and additional cash of £4,956,000 to be provided by an Excess Vote.

House of Commons: Members

Excess expenditure over the net Estimate provision for RfR1 (Members' salaries, allowances and other costs) amounted to £909,000 of resources.

The resource excess occurred because:

- The liability of the Parliamentary Contributory Pension Fund due to in-year employment (the service cost) increased after the submission of the spring Supplementary Estimate, contributing £0.6million of the excess.
- The level of claims for reimbursement of costs by Members of Parliament increased after the year-end following changes in the allowance structure, contributing £0.3million of the excess (after allowing for compensating underspends in other expenditure).

The Parliamentary Contributory Pension Fund liability is recognised in the House of Commons Members Accounts Balance Sheet in accordance with United Kingdom Financial Reporting Standards. As such, the liability is subject to an annual actuarial valuation, which also provides an estimate of the annual service cost of the Fund to be recognised as operating expenditure. The final valuation received by the Department of Finance and Administration in the House of Commons in May 2006 showed a current service cost of £12.8million, £0.6million higher than the initial actuarial estimate, on which the Spring Supplementary Estimate 2005-06 was based.

The increase in the reimbursement of Members' expenses was the other factor contributing to the excess. A change to the structure of allowances meant that, from 1 April 2005, Members were allowed to transfer up to 10 per cent of their annual Staffing Allowance to their Incidental Expenses Provision Allowance, to meet the costs incurred on their parliamentary duties. This resulted in a final outturn of the Incidental Expenses Provision of £12.7million, some £4million higher than that forecast when the spring Supplementary Estimate was laid, with some £1.7million claimed after the year-end. The Department of Finance and Administration did not expect this increased flexibility to lead to such significantly higher overall expenditure.

Parliamentary authority is sought to provide for the excess of expenditure by an Excess Vote.

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ISBN 978-0-10-294443-3



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