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

Consolidated Fund Account 2010-2011

LONDON: The Stationery Office
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The National Audit Office scrutinises public spending on behalf of Parliament.

The Comptroller and Auditor General, Amyas Morse,
is an Officer of the House of Commons.
He is the head of the NAO, which employs some 880 staff.
He and the NAO are totally independent of government.

He certifies the accounts of all government departments
and a wide range of other public sector bodies;
and he has statutory authority to report to Parliament
on the economy, efficiency and effectiveness with which departments
and other bodies have used their resources.

Our work led to savings and other efficiency gains worth more than £1 billion in 2010-11.

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Contents

Foreword

1 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.

2 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.

3 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

4 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.

5 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);
- repayments from the Contingencies Fund; and
- balancing payments from the NLF when daily payments by the CF exceed its receipts.

6 The payments from the CF are mainly for:

- Supply Services, which are payments issued to Government departments to finance their 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 for financial assistance payments (see below);
- Standing Service payments for Political and Public salaries and pensions include Speakers, Opposition Leaders, Whips and the offices of high ranking officials, which include the Comptroller and Auditor General, Parliamentary Ombudsman and Information Commissioner;
- issues to the Contingencies Fund; and
- balancing payments to the NLF when daily receipts into the CF exceed its payments.

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

Standing Service for financial assistance

7 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 2010-11 and 2009-10 no payments were issued.

Clear Line of Sight

8 In the July 2007 Green Paper 'The Governance of Britain', the Prime Minister announced that the Government would simplify its financial reporting to Parliament by ensuring that it reports public spending in a more consistent fashion. On 5 July 2010, a debate and vote on a motion approved the 'Clear Line of Sight' alignment reforms and they were successfully passed in the House of Commons.

9 Clear Line of Sight simplifies the Government's spending controls and financial reporting to Parliament. The aims of the proposed changes are therefore 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.

10 The impact of these reforms include changes to the treatment of income so that departments will be able to retain income in budgets provided it is of a type reported to Parliament in their Estimate, but will 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 will begin to drop, either because they are no longer headed under the general CFER category, or because departments are retaining them. The change in treatment will be seen in the CF's accounts in note 3 next year. Further information on Clear Line of Sight project can be found at www.hm-treasury.gov.uk/psr_clear_line_of_sight_intro.htm

Eurozone Interventions

11 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. The UK has also continued to support the IMF through the NLF in 2010-11, in line with our commitments as a member of the IMF. Through the NLF, the UK has provided support through both quota shareholding and a bilateral loan to the Fund. The UK's agreed bilateral loan to Ireland of £3.2 billion will be funded by HM Treasury's Vote, which will receive its funding from the Consolidated Fund.

Outturn

12 The outturn for the year shows payments and receipts of £523.1 billion (2009-10: £549.6 billion), including £139.7 billion (2009-10: £195.6 billion) from the NLF to cover what would have been the deficit for the year.

13 Advances to HMRC to cover daily revenue shortfalls as described in note 2, 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 8% from £344.0 billion to £373.1 billion and underlying payments decreased by 5% from £539.6 billion to £512.8 billion. As a result, the net deficit on the CF, which was financed by transfers from the NLF, decreased from £195.6 billion to £139.7 billion, a decrease of £55.9 billion, or 29%.

Receipts

14 The decrease in the deficit of £55.9 billion was largely the result of an increase in net tax receipts paid to the Consolidated Fund of £35.6 billion.

15 Miscellaneous receipts decreased by £6.2 billion principally due to lower receipts paid from the Treasury to the Consolidated Fund of £5.9 billion (2009-10: £11.8 billion) which has been generated from interventions in the financial sector and are included in the CFERs balance of £18.2 billion (2009-10: £23.8 billion). Further information on these interventions can be found in the Treasury's Departmental Annual Reports & Accounts.

Payments

16 Supply payments to government departments fell in 2010-11, which is mostly due to a fall in Supply payments to HM Treasury, which decreased by £45.1 billion in 2010-11. This was due to financial sector interventions in 2009-10 including HM Treasury acquiring shares in RBS and Lloyds Banking Group, and the split of Northern Rock into Northern Rock plc and Northern Rock (Asset Management) plc. Further details of how HM Treasury used the cash issued to it from the CF can be found on its website at www.hm-treasury.gov.uk and in its Departmental Annual Reports & Accounts for 2010-11 and 2009-10. There were no such interventions in 2010-11.

17 The fall in Supply payments to HM Treasury has been partly offset by other government departments' Supply payments generally increasing. Significant year-on-year increases in Supply issued to government departments include £4.1 billion for the Department of Health, £3.7 billion for the Department for Work and Pensions, £2.2 billion for the Department for Education (formerly known as the Department for Children, Schools and Families). Further details of how Supply has been spent can be found in each of the Departmental Annual Reports & Accounts.

18 The UK's contribution as a Member State to the EU budget varies from year to year. In 2010-11, total UK contributions to the EU were £12.9 billion (2009-10: £9.5 billion). The increase can be attributed to two factors. First, the disapplication of the UK Abatement to non-agricultural spending in New Member States, which was phased in between 2008 and 2010 and has its full impact only from 2011. Second, the sterling depreciation at the end of 2008, which meant that the UK had to pay higher contributions until the GNI/VAT bases were revised in May 2009. Once the bases were updated, the UK then paid lower contributions for the rest of 2009-10 to make up for what it had paid in excess contributions.

19 Payments to the NLF for net interest payments are £1.6 billion higher in 2010-11 compared with 2009-10, reflecting the increase in gilts issued by the NLF.

Preparation of the Account

20 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.

21 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 7-12 to the CF Account to assist preparation of Whole of Government Accounts.

22 There is no direct read-across between the accruals-based Notes 7-12 and the cash-based CF receipts and payments account.

Audit

23 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.

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

Nicholas Macpherson 12 July 2011
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 21 of the Foreword, Notes 7-12 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 Nicholas 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 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 'Managing Public Money'.

Statement on Internal Control

1 Scope of responsibility

As Accounting Officer for the Consolidated Fund, I have responsibility 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'.

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 resourcing the administration of the Consolidated Fund, security, 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 Consolidated Fund is managed by the Treasury Accountant and his managers within the Exchequer Funds and Accounts (EFA) Team of HM Treasury.

2 The purpose of the system of internal control

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 2011 and up to the date of approval of the financial statements, and accords with Treasury guidance.

3 Capacity to handle risk

EFA is managed within HM Treasury's departmental risk management framework, which is set out in HMT's Departmental Annual Report & 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 now provide me with a quarterly risks and controls report updating me on changes to the control environment and changes in risk exposure. I received the first report in January 2011.

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 members are encouraged to obtain professional qualifications in areas that are relevant to their roles.

Business continuity resilience is regularly tested locally and with business partners, and lessons learned feed into improved business continuity processes.

4 The risk and control framework

Risk management is key to all processes within EFA, including business continuity resilience planning for those public funds for which EFA is responsible. 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.

During the year, there were two significant changes to the control environment:

Modernisation of the Treasury's IT infrastructure and services: During 2009-10 Fujitsu took over the provision of IT services to the Treasury under the 'Fast Forward' programme. This was rolled out during 2010-11. EFA were migrated to Fujitsu laptops in October/November 2010. Testing was carried out to ensure that all applications worked correctly on the laptops. Migration of the Consolidated Fund's accounting system to the Fujitsu data centre servers took place in February 2011 after successful User Acceptance Testing and parallel running. The responsibility for maintaining the accounting system remains with EFA's Business Continuity and Systems Support.

Migration of Government Banking Service (GBS) bank accounts to Citigroup and Royal Bank of Scotland: The Government Banking Service has changed its main provider of banking transaction services from the Bank of England to Citigroup and the Royal Bank of Scotland Group. This project was completed during 2010-11. The CF main bank account remains at the Bank of England. However, there are a number of sub-accounts used by EFA in connection with the CF, to allow easier monitoring and validation of CF payments and receipts, which were migrated in October 2010. In addition, a large number of entities paying into and receiving funds from the CF have also migrated. The project was managed carefully to ensure that new bank accounts were set up correctly, that the accounting system was updated correctly with new account details for counterparties, and that the new payments and receipts processes would function correctly. New controls are now in place and job instructions have been revised.

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 which minimises the risk of keying errors. Supply issued to departments to finance expenditure is approved annually by Parliament through the annual Appropriation Acts. EFA input these limits onto the accounting system, which ensure these limits are adhered to. Separately, under the Exchequer and Audit Department Act 1866. The Comptroller and Auditor General, through the National Audit Office Exchequer Section, authorises Consolidated Fund payments in advance and reconciles Fund transactions on a daily basis. There is a clear and comprehensive audit trail in the IT system, to which the NAO 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 under the terms of Flex.

Failure to provide an effective service in adverse circumstances, including disaster situations: To ensure operational resilience in key areas in the event of a business continuity situation, 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. The Consolidated Fund's operations were not affected by the severe winter weather.

Failure of principal counterparties to provide agreed services: Well-developed Service Level Agreements 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.

Loss of personal data: 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. EFA's own Data Handling Policy identifies risks specific to EFA. This policy is reviewed on a six-monthly basis or as required.

The Treasury Audit Committee 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 & Account;
- Consolidated Fund;
- Contingencies Fund;
- National Loans Fund; and,
- Exchange Equalisation Account.

I appoint members of the Committee for periods of up to three years, extendable by no more than two additional three-year period. The Chair of the Committee reports directly to me and presents a regular report to the Treasury Board. The membership of the Committee is:

- Michael O'Higgins (Chair) – Non Executive Board Member, HM Treasury; Chairman of the Audit Commission; Chairman of the Pensions Regulator; Non Executive Director, Investec-Calculus Venture Capital Trust;
- Mike Ashley – Head of Quality and Risk Management, KPMG Europe LLP; Board Member, KPMG Europe LLP;
- Zenna Atkins – Chief Executive Officer, Wey Education PLC; Managing Director, Zail Enterprises Ltd; Chair, Royal Navy Audit Committee; Non Executive Director, Royal Navy Board;
- Janet Baker – Non Executive Director and Commissioner of the Audit Commission; Non Executive Director, Defence Support Group, MoD; Non Executive Director, Rural Payments Agency;
- Bradley Fried – Managing Partner, Grovepoint Capital LLP; Non Executive Director of the Group Board, Investec plc and former CEO, Investec Bank plc, and
- Avinash Persaud – Chairman, Intelligence Capital.

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, Director of Corporate Services, the Chief Executives of the Debt Management Office and 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 five times in 2010-11.

An annual risk-based internal audit programme is performed by Exchequer Funds Internal Audit. The 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 within EFA, due to the perceived level of risk. The Audit Committee reviews the risk-based work programme and is kept informed of progress and amendments.

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

5 Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of Exchequer Funds Internal Audit who provided positive assurance as to the management and control of the CF in 2010-11 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 2010-11 accounts in draft and provided me with its views before I formally signed the accounts. In my opinion, the system of internal control was effective with no significant control issues identified in 2010-11.

Nicholas Macpherson 12 July 2011
Accounting Officer
HM Treasury

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 2011 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.

I read all the financial and non-financial information in the Foreword, Statement of Accounting Officer's responsibilities and the Statement on Internal Control 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.

In addition, 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 have been applied to the purposes intended by Parliament and the financial transactions 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 then ended;
- 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 2011, 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
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control 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

14 July 2011

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

Receipts and Payments Account for the year ended 31 March 2011

Receipts	**Notes**	**2010-11 £ million**	2009-10 £ million
Tax Revenue			
HMRC	(2)	**336,924**	300,856
Vehicle Excise Duty	(2)	**5,808**	5,637
National Non-Domestic Rates	(2)	**20,833**	21,494
		363,565	327,987
Other Receipts			
Repayments from the Contingencies Fund		**1,000**	1,000
Miscellaneous receipts	(3)	**18,839**	25,006
Deficit funded from the National Loans Fund		**139,681**	195,600
Total receipts		**523,085**	549,593
Payments			
Supply Services	(4)	**459,088**	494,553
Standing Services			
Payments to the National Loans Fund for net interest payments		**36,770**	35,213
Payments to the budget of the European Union	(5)	**12,915**	9,515
Other Standing Services	(6a)	**13,312**	9,312
		522,085	548,593
Issues to the Contingencies Fund		**1,000**	1,000
Total payments		**523,085**	549,593

Nicholas Macpherson 12 July 2011
Accounting Officer
HM Treasury

The notes on pages 14 to 29 form part of this account

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 7-12 to assist preparation of Whole of Government Accounts. They are restricted to those items not disclosed in departmental Annual Reports & 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 7-12 and the Consolidated Fund receipts and payments account.

The Receipts and Payments Account and some other notes are stated in millions of pounds sterling (£m). The remainder of the notes are stated in thousands of pounds sterling (£000).

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 from HMRC are derived from 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 exceeded its receipts. Some £9.3 billion was advanced from the CF for this purpose in 2010-11 (£9.0 billion in 2009-10). These advances do not have to be repaid and are reported in note 6a.

3 Miscellaneous receipts

	2010-11 £000	2009-10 £000
Consolidated Fund Extra Receipts (CFER)[1]	**18,221,973**	23,839,037
OFGEM revenue in respect of the Fossil Fuel Levy	**89,811**	129,000
United Kingdom coinage issued (Note 9)	**155,127**	111,823
Crown Estate surplus revenue	**232,000**	208,000
Broadcasting additional receipts and penalties	**5,088**	24,417
Crown's share of the Crown's Nominee Fund	**25,000**	40,000
Share of surplus accrued from securities for National Savings Bank	**–**	25,026
Capital surplus from National Savings Bank securities	**–**	593,522
Land Registry – dividend on public dividend capital	**15,279**	18,573
National Savings Bank Ordinary Account contribution for management expenses	**–**	353
Prior year over-issues of Supply repaid (Note 4)	**1,960**	1,378
Court Funds Investment Account – surplus income	**641**	4,732
Insolvency Service – unclaimed dividends	**4,334**	3,567
DVLA – public dividend capital	**19,048**	–
Financial Assistance Scheme Asset Transfer	**49,498**	–
Miscellaneous	**12,913**	6,509
Receipts subsequently repaid	**5,900**	81
Total	**18,838,572**	25,006,018

The decrease in CFERs is predominantly due to a decrease in the Treasury's receipts of £5.9 billion paid into the Consolidated Fund (2009-10: £11.8 billion) which have been generated from interventions in the financial sector. Further information on these interventions can be found in the Treasury's Departmental Annual Report & Accounts. In 2010-11 there has been a small increase in other departments' CFERs received in 2010-11 from £12.0 billion in 2009-10, to £12.3 billion in 2010-11.

Under Clear Line of Sight reforms, DVLA revoked their trading fund status on 1 April 2011 and adopted executive agency status. As part of this process, £19.1 million was paid into the CF in 2010-11 to extinguish their Public Dividend Capital.

The Financial Assistance Scheme (FAS) came into force on 2 April 2010. The FAS is managed by the Board of the Pension Protection Fund, a statutory corporation established under the provisions of the Pensions Act 2004. Included within these regulations is a requirement to transfer revenue associated with asset transfers from qualifying Financial Assistance Schemes to Government. In 2010-11, £49.5 million was received into the CF from the Department for Work and Pensions. The Department for Work and Pensions is required to prepare a Trust Statement in relation to this revenue. Further information on this can be found at: http://www.dwp.gov.uk/policy/pensions-reform/fas-review-of-scheme-assets/

As a result of National Savings & Investments' (NS&I) decision to rationalise its product range, Ordinary Accounts were taken off sale in 2004, and all accounts closed in 2008. Between 2004 and 2008, depositors were given the option of either withdrawing the amount they had deposited in full, or transferring the balance to other NS&I products. When the accounts were closed in 2008-09, funds held with the Commissioners for the Reduction of the National Debt (CRND) in relation to Ordinary Accounts were transferred to the Residual Account with the National Loans Fund. A residual account was established to manage investments which NS&I has been unable to return to customers. This reduced the NS&I liability to Ordinary Account Depositors to nil. The Finance Act 2009 made provision for the remaining funds of £593.5 million held within CRND to be transferred to the Consolidated Fund in 2009-10.

1 2010-11 is a transitional year for Clear Line of Sight reforms, and the CFERs total will include amounts which are now accounted for in separate trust statements. Known amounts included in the above CFERs balance are BBC licence fee revenue (£3,068 million), Petroleum licences and EU Emissions Trading Scheme (£476 million), Companies House (£99 million) and Merger Fees and Competition Act 1998 penalties (£95 million). The CF's accounts will be fully restated in 2011-12 when final values and classifications have been agreed.

4 Analysis of Supply Services

a) Supply Services issues and repayments

		2010-11 £ million	2009-10 £ million
Supply Issues			
For current year		**458,524**	494,487
For previous years		**564**	66
Gross Supply Services issued		**459,088**	494,553
Prior year over-issues surrendered in cash	(Note 3)	**(2)**	(1)
Net Supply Services issued		**459,086**	494,552

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

b) Supply Services analysed by period

		2010–11 £ million	2009–10 £ million	2008–09 £ million
Year for which Supply granted:				
Cash Supply granted by Parliament (as reported)		**488,866**	518,147	516,449
Cash Excess Vote		**n.a.**	–	–
Revised Cash Supply granted by Parliament		**488,866**	518,147	516,449
Surplus not required (as reported)		**n.a.**	(20,330)	(11,155)
Revised Total Net Cash Requirement outturns reported by government departments		**n.a.**	497,817	505,294
Year of Payment/(Receipt):				
2008–09	Issues made in year	**–**	–	506,331
	Prior year issues applied to a subsequent year	**–**	–	5,884
	Supply returned to CF due to Machinery of Government change	**–**	–	(1,361)
2009–10	Issues made in year	**–**	494,487	65
	Prior year issues applied to a subsequent year	**–**	5,624	(5,624)
	Prior year over–issues surrendered in cash	**–**	–	(1)
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	**n.a.**	(2)	–
Total		**n.a.**	497,817	505,294

Note 4b analyses the receipts and payments of Supply according to the year for which the Supply was granted. The Net Cash Requirement for 2010-11 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 2011-12 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 2010-11 the amount approved by Parliament and paid from the Consolidated Fund in respect of cash excess votes incurred during 2009-10 was £251,000 for the Statistics Board and £67,000 for the Government Actuary's Department.

c) Departmental Drawings

The following analysis sets out the cash supplied to the 10 highest drawing departments during 2010-11. Details of how Supply has been spent can be found in each of the departmental Annual Reports & Accounts.

Cash Supplied by the Consolidated Fund

	Department	**2010-11 £ million**	2009-10 £ million
1.	Department of Health	**84,400**	80,350
2.	Department for Work and Pensions	**82,462**	78,805
3.	Department for Education	**57,989**	55,819
4.	Ministry of Justice	**48,895**	49,320
5.	Ministry of Defence	**37,757**	37,064
6.	Department for Communities and Local Government	**37,627**	39,299
7.	Department for Business, Innovation and Skills	**24,052**	23,592
8.	HM Revenue and Customs	**16,164**	16,355
9.	Northern Ireland Office	**13,666**	12,928
10.	Department for Transport	**12,914**	13,786
		415,926	407,318
	Other	**43,162**	87,235
	Total	**459,088**	494,553

In 2009-10, HM Treasury was included in the above list, with cash supplied of £45,452 million. In 2010-11 its cash drawings were £388 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. The current ORD was agreed in June 2007 and has been applied since 1 June 2009. However, there was a one-off cost, which was made on 1 June 2009, of £683 million to cover the retrospective effect of the ORD.

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% 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% 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.

			2010-11	2009-10
	Contribution for year ended 31 March 2011	**Adjustment of prior years' contributions**	**Total**	Total
	£ million	**£ million**	**£ million**	£ million
Customs duties	**2,226**	**-**	**2,226**	1,966
Sugar levies	**8**	**-**	**8**	9
VAT contribution (before abatement)	**2,186**	**81**	**2,267**	1,121
Fourth resource contributions	**11,020**	**72**	**11,092**	10,637
	15,440	**153**	**15,593**	13,733
UK abatement	**(2,757)**	**79**	**(2,678)**	(4,218)
UK's total contribution to EU Budget	**12,683**	**232**	**12,915**	9,515

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 2010-11, total UK contributions to the EU were £12.9 billion (2009-10: £9.5 billion). The increase can be attributed to two factors. First, the disapplication of the UK Abatement to non-agricultural spending in New Member States, which was phased in between 2008 and 2010 and has its full impact only from 2011. Second, the sterling depreciation at the end of 2008, which meant that the UK had to pay higher contributions until the GNI/VAT bases were revised in May 2009. Once the bases were updated, the UK then paid lower contributions for the rest of 2009-10 to make up for what it had paid in excess contributions.

6a Other Consolidated Fund Standing Services payments

	Notes	2010-11 £000	2009-10 £000
Civil List, Annuities and Pensions			
Civil List payments		**9,513**	9,513
Royal Household Pension Scheme	(7d)	**3,861**	3,694
Pensions for Judicial Services	(8)	**49,349**	44,733
MEPs' pensions	(7d)	**1,763**	2,086
Political and Public Service pensions	(8)	**524**	545
Civil List pensions	(8)	**133**	132
Salaries and Allowances			
Courts of Justice		**153,714**	157,747
Members of the European Parliament		**434**	2,822
Political & Public	(6b)	**1,358**	1,426
Miscellaneous Services			
Election and referendum expenses		**115,594**	111,160
Advances to HMRC in support of revenue	(2)	**9,334,000**	8,972,000
Royal Mint	(9)	**6,552**	6,551
Miscellaneous refunds		**5,913**	84
HMRC repayment		**3,627,040**	–
Other		**2,195**	2
Total		**13,311,943**	9,312,495

The increase in Standing Service payments of £4.0 billion is largely due to a refund of £3.6 billion 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. Recent analysis has shown that in 2007-08, 2008-09 & 2009-10 adjustments to the estimates were not implemented and so this payment was made to correct the position.

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 included 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

	2010-11 Salary and full year equivalent (FYE) £	2009-10 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)***	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]	**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)***	114,052
The Rt Hon Baroness Royall of Blaisdon [5]	**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)***	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]	**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)***	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]	**9,206**	
Deputy Opposition Chief Whip – HOC (from 9 Oct 2010)	***(FYE 19,239)***	–
Baroness Anelay of St Johns [1, 4]	**3,505**	
Opposition Chief Whip – HOL (to 12 April 2010)	***(FYE 105,161)***	108,497
Lord Bassam of Brighton [5]	**90,758**	
Opposition Chief Whip – HOL (from 12 May 2010)	***(FYE 99,903)***	-
John Randall MP [1]	**872**	
Assistant Opposition Chief Whip – HOC (to 12 April 2010)	***(FYE 26,158)***	26,158
Tony Cunningham MP [6]	**20,541**	
Assistant Opposition Chief Whip – HOC (from 12 May 2010)	***(FYE 19,239)***	–
The Rt Hon Michael Martin MP		18,163
Speaker – HOC (to 21 June 2009)	**–**	*(FYE 79,754)*
The Rt Hon John Bercow MP [1, 7]	**78,140**	60,725
Speaker – HOC (from 22 June 2009)	***(FYE 75,766)***	*(FYE 78,356)*

	2010-11 Salary and full year equivalent (FYE) £	2009-10 Salary and full year equivalent (FYE) £
The Rt Hon Jack Straw [8, 3]	**28,857**	
Lord Chancellor (to 13 May 2010)	***(FYE 78,356)***	78,356
The Rt Hon Kenneth Clarke [2]	**60,686**	
Lord Chancellor (from 14 May 2010)	***(FYE 68,827)***	–

1 The above salaries were paid at the 1 November 2007 salary rate, rather than the entitled salary, each individual waived their entitled pay increase for the year 2009-10. There was no entitled pay increase in 2010-11.

2 The above political offices have agreed under the current government to take an overall 5% pay cut in their claimed annual salaries.

3 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 and J Straw – £19,589.

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. The figures for 2009-10 also include backdated increases to the annual allowance.

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% pay cut and this is reflected in the FYE figure above. The figure also includes the Lords night-time allowance at a rate of £36,366 p.a. which is a 5% 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% pay cut in claimed salary and this is reflected in the FYE figure above.

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% 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 Reports & Accounts. The Lord Chancellor's payments are made as part of the Courts of Justice payroll in Note 6 but are included here to give a complete report of payments to politicians from 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 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 has entitlement to a pension from the CF.

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

6bii) Payments to Public Office holders

	2010-11 Salary and full year equivalent (FYE) £	2009-10 Salary and full year equivalent (FYE) £
Tim Burr [1] *Comptroller and Auditor General (to 31 May 2009)*	–	28,792 *(FYE 172,753)*
Amyas Morse [1] *Comptroller and Auditor General (from 1 June 2009)*	**210,000**	175,000 *(FYE 210,000)*
Ann Abraham [2] *Parliamentary and Health Service Ombudsman*	**172,753**	172,753
Douglas Bain [3] *Northern Ireland Chief Electoral Officer (to 8 Oct 2010)*	**49,471** ***(FYE 94,860)***	94,860
Graham Shields [3] *Northern Ireland Chief Electoral Officer (from 11 Oct 2010)*	**27,535** ***(FYE 58,200)***	–
Richard Thomas [4] *Information Commissioner (to 28 June 2009)*	–	34,222 *(FYE 140,000)*
Christopher Graham [4] *Information Commissioner (from 29 June 2009)*	**140,000**	105,777 *(FYE 140,000)*
Jenny Watson [5] *Senior Electoral Commissioner*	**101,500** ***(FYE 101,500)***	100,374 *(FYE 100,374)*
Ian Kelsall [5] *Electoral Commissioner (fee based)*	**15,813**	13,275
Karamjit Singh[5] *Electoral Commissioner (fee based)*	**–**	6,803
Max Caller [5] *Electoral Commissioner (fee based)*	**23,722**	40,899
Henrietta Campbell [5] *Electoral Commissioner (fee based)*	**14,373**	24,768
John McCormick[5] *Electoral Commissioner (fee based)*	**23,522**	24,372
Baroness Angela Browning[5] *Electoral Commissioner (fee based) (from 1 Oct 2010)*	**3,055**	–
Counsellor George Reid [5] *Electoral Commissioner (fee based) (from 1 Oct 2010)*	**2,334**	–
Lord Roy Kennedy of Southwark [5] *Electoral Commissioner (fee based)(from 1 Oct 2010)*	**2,876**	–
David Howarth [5] *Electoral Commissioner (fee based)(from 1 Oct 2010)*	**4,494**	–

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

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

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

The CF makes payments in relation to pensions for 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 rules and will be paid by the CF. 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 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.

(a) Actuarial assessment assumptions

A full actuarial assessment was carried out for the Royal Household Pension Scheme as at 31 March 2011. A roll-forward actuarial assessment was carried out for the MEPs under the European Parliament (UK Representatives) Pension Scheme, as at 31 March 2011. 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 2011 % per annum	At 31 March 2010 % per annum
Rate of increase in salaries	**4.90**	4.30
Discount rate	**5.60**	4.60

Life Expectancy

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

	At 31 March 2011		At 31 March 2010	
	Men (years)	**Women (years)**	Men (years)	Women (years)
Current pensioners	**24.4**	**25.0**	24.3	24.9
Future pensioners	**26.3**	**26.7**	26.2	26.6

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

	At 31 March 2011		At 31 March 2010	
	Men (years)	**Women (years)**	Men (years)	Women (years)
Current pensioners	**29.2**	**32.5**	29.1	32.3
Future pensioners	**30.7**	**33.9**	30.6	33.8

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

	At 31 March 2011 % per annum	At 31 March 2010 % per annum
Rate of increase in pension payments	**2.65**	2.75
Inflation assumption	**2.65**	2.75

(b) 2010-11 Expenditure and income

	2010-11 RH £000	**2010-11 MEPs £000**	**2010-11 Total £000**	2009-10 Total £000
Expenditure				
Current service costs (including employee contributions)	**1,454**	**100**	**1,554**	1,752
Interest on scheme liability	**4,403**	**1,400**	**5,803**	6,531
Total expenditure	**5,857**	**1,500**	**7,357**	8,283
Income				
Pension contributions receivable:				
Employers' contributions	**930**	**–**	**930**	986
Employees' contributions	**111**	**41**	**152**	397
Past service cost	**9,562**	**–**	**9,562**	–
Total income	**10,603**	**41**	**10,644**	1,383
Net (income)/expenditure	**(4,746)**	**1,459**	**(3,287)**	6,900

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 has been recognised as a negative past service cost in accordance with IAS 19. This accounting treatment has been adopted by all central Government reporting entities where RPI has been used for inflation indexing for many years.

The question of whether, as regards the main public service pensions schemes, there is a legitimate expectation that RPI will be used for inflation indexing is currently before the courts in judicial review proceedings. The Government case is that no legitimate expectation exists and that, in any event, even if there was a legitimate expectation this was overridden by the clear public interest in making very substantial savings at a time when the Government had adjudged that deficit reduction was a fundamental objective for the country. If the Government's case is proven, there would be no change to the accounting treatment adopted in these accounts.

(c) Movement in liabilities during the year

	2010-11	**2010-11**	**2010-11**	2009-10
	RH	**MEPs**	**Total**	Total
	£000	**£000**	**£000**	£000
Scheme Liability at beginning of the year	**(105,098)**	**(32,004)**	**(137,102)**	(110,442)
Current service costs	**(1,343)**	**(59)**	**(1,402)**	(1,355)
Employee contributions	**(111)**	**(41)**	**(152)**	(397)
Benefit payments (Note 6a)	**3,861**	**1,763**	**5,624**	5,780
Net individual pension transfers	**16**	**–**	**16**	18
Other finance charges – interest	**(4,403)**	**(1,400)**	**(5,803)**	(6,531)
Past service cost	**9,562**	**–**	**9,562**	–
Total	**(97,516)**	**(31,741)**	**(129,257)**	(112,927)
Actuarial gain / (loss)	**8,899**	**3,900**	**12,799**	(24,175)
Liability at end of year	**(88,617)**	**(27,841)**	**(116,458)**	(137,102)

The above movement in liabilities is based on the actuarial assessments at 31 March 2011. The decrease in liability is mainly due to the increase in the discount rate 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 & Account.

	2010-11	**2010-11**	**2010-11**	2009-10
	RH	**MEPs**	**Total**	Total
	£000	**£000**	**£000**	£000
Total pension paid	**3,280**	**1,532**	**4,812**	4,687
Commutation and lump sum benefits	**581**	**563**	**1,144**	1,442
Total pension benefits paid	**3,861**	**2,095**	**5,956**	6,129
Less: increase element of MEPs' pensions borne by the Civil Service Superannuation Annual Report & Account	**–**	**(332)**	**(332)**	(349)
Total borne by the Consolidated Fund	**3,861**	**1,763**	**5,624**	5,780

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

	2010-11	**2010-11**	**2010-11**	2009-10
	RH	**MEPs**	**Total**	Total
	£000	**£000**	**£000**	£000
(Gains)/Losses arising on scheme liabilities	**(3,769)**	**–**	**(3,769)**	(4,358)
Changes in assumptions underlying the present value of liabilities	**(5,130)**	**(3,900)**	**(9,030)**	28,533
Total	**(8,899)**	**(3,900)**	**(12,799)**	24,175

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) pensions for Parliamentary Officers for political and civil services provided; and (iii) Civil List pensions. 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 & Account. Payments from the Consolidated Fund in respect of this scheme in 2010-11 amounted to £49.3 million (£44.7 million in 2009-10).

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. In total, a sum of £524,000 was paid from the Consolidated Fund in 2010-11 in respect of these pensions (£545,000 in 2009-10). The actuarial liability falling on the Consolidated Fund, across all these schemes, has been assessed at £7.6 million at 31 March 2011 (£8.3 million at 31 March 2010) and is not material to the Consolidated Fund. The decrease is mainly due to an increase in the discount rate used.

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 £133,000 was paid from the Consolidated Fund in 2010-11 in respect of these pensions (£132,000 in 2009-10). This is not material to the Consolidated Fund.

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 & Accounts (£28.5 million in 2010-11 and £22.9 million in 2009-10).

Sums due to the Consolidated Fund:

	2010-11 **£000**	2009-10 £000
Balance at 1 April	**5,530**	7,896
Coins issued	**151,429**	107,899
Cash received by Consolidated Fund (Note 3)	**(155,127)**	(111,823)
Coins redeemed	**(6,490)**	(4,954)
Cash paid by Consolidated Fund (Note 6a)	**6,552**	6,551
Bank receipts / (other charges)	**36**	(39)
Balance at 31 March	**1,930**	5,530

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% share of subscribed capital, was worth €6,498,047,000 as at 31 March 2011 (16.17% worth €6,155,786,000 at 31 March 2010). The investment is revalued each year in proportion to the UK's share of the net assets of the EIB as reported in the EIB's accounts to 31 December of the previous year converted using the euro/sterling exchange rate at 31 March. No new cash was invested in 2010-11 or in 2009-10.

	2010-11 £ million	2009-10 £ million
European Investment Bank		
At 1 April	**5,492**	5,422
Change due to exchange rate movements	**(43)**	(200)
Change due to increase in EIB net assets	**303**	270
At 31 March	**5,752**	5,492

(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.

	2010-11 £ million	2009-10 £ million
Land Registry Public Dividend Capital		
At 31 March	**62**	62
Total non-current investments at end of year	**5,814**	5,554

11 Contingent liabilities

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 & Accounts. However, some contingent liabilities have been identified that fall outside these arrangements, so they are reported here instead. 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 2011 £ million	At 31 March 2010 £ million
EU Budget: Guarantees on borrowing and lending operations	**4,059**	2,843
European Financial Stabilisation Mechanism	**1,047**	–
European Investment Bank: Callable capital subscription	**31,600**	31,851
Value of UK coins in circulation	**4,020**	3,949

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. Guaranteed loans to EU Member States include outstanding support under the Balance of Payments Facility, which offers medium-term financial assistance for EU countries outside the euro area. Guarantees to Third Countries includes support to Bosnia-Herzegovina, Georgia and Serbia and Montenegro for Macro Financial assistance purposes and other specific projects. The 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 2010, which shows total capital outstanding at €32,563 million (June 2009: €23,450 million). The UK share of this total liability is estimated at 14.08% (€4,585 million) which has been converted to sterling (£4,059 million) at the exchange rate of 1.1297 prevailing at 31 March 2011 (2009-10: £2,843 million, being €3,186 million (13.59%) using the exchange rate 1.1208 prevailing at 31 March 2010).

The ceiling for the maximum amount of loans granted to non euro-area Member States under the EU's Balance of Payments facility stands at €50 billion. If any of these loans were drawn and, in turn, defaulted, it will impact the EU budget. 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 liability would be around 14.08% (€7,040 million) of the total, which has been converted to sterling (£6,232 million) at the exchange rate of 1.1297 prevailing at 31 March 2011 (2009-10: £6,063 million, being €6,795 million (13.59%) using the exchange rate 1.1208 prevailing at 31 March 2010).

European Financial Stabilisation Mechanism

Provision for financial support to all EU Member States, under Article 122 of the Treaty on the Functioning of the European Union, of up to a total of €60 billion came into force in May 2010 to enable the EU to expand its lending volume as part of its anti-crisis measures. As with the Balance of Payments facility, this European Financial Stabilisation Mechanism is guaranteed by the EU Budget and the liability will only crystallise if the loans are defaulted on. 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, we have estimated the UK's liability would be around 14.08% of the total drawdown of €8.4 billion at 31 March 2011 (€1,183 million), which has been converted to sterling (£1,047 million) at the exchange rate of 1.1297 prevailing at 31 March 2011. The total drawdown is in respect of Ireland. A further €14.1 billion is available to Ireland. We have estimated the UK's liability would be around 14.08% which has been converted to sterling (£1,757 million) at the exchange rate of 1.1297 prevailing at 31 March 2011.

European Investment Bank Callable Capital Subscription

The latest EIB financial statements at 31 December 2010, show the UK is liable for €35,699 million of callable capital to the EIB, which has been converted to £31,600 million using the exchange rate of 1.1297 prevailing at 31 March 2011 (£31,851 million as at 31 December 2009 being €35,699 million using the exchange rate 1.1208 prevailing at 31 March 2010). 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. The current market circumstances notwithstanding, it is unlikely that Member States will be called upon to pay the remaining capital.

UK Coins in Circulation

As at 31 March 2010, the estimated value of coins in circulation was £3,949 million. This increased by £71 million to £4,020 million at 31 March 2011. The contingent liability of £4,020 million represents the CF's potential obligation in respect of returned coins. During 2010-11, £6.6 million was redeemed from the Consolidated Fund as a standing service payment (Note 6a) (2009-10: £6.6 million).

12 Events after the Reporting Period

In May 2011 EU finance ministers agreed a three year international financial assistance package for Portugal of which €26 billion will be provided through the European Financial Stabilisation Mechanism. 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 liability would be around 14.08% of the total drawdown of €26 billion (€3,661 million), which has been converted to sterling (£3,241 million) at the exchange rate of 1.1297 prevailing at 31 March 2011.

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 Account was authorised for issue 14 July 2011.

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