
Supply Estimates

2001–02

Statement of Excesses

Supply Estimates 2001–02

for the year ending 31 March 2002

Statement of Excesses

*Presented by Command of Her Majesty
Ordered by the House of Commons to be printed
6 March 2003*

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. The Statement of Excesses for 2001–02 is the first to be presented to Parliament under resource-based Supply. None of the underlying principles or procedures for Excess Votes has changed but Excess Votes may be required in respect of resources, cash or both.
3. Excess Votes are presented if expenditure of resources or cash has exceeded the provision in the Main, or Revised and Supplementary Estimates approved by Parliament and authorised in Appropriation Acts.
4. 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 authorised by Parliament.
5. Parliament votes amounts for Requests for Resources (RfR) 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.
6. A Statement of Excesses is normally presented to Parliament in February, some ten months after the end of the financial year to which it relates. Under House of Commons Standing Orders, if the Committee of Public Accounts has reported that it sees no objection to the sums necessary being provided by Excess Vote, the question on the motion to approve them is put without debate. Authorisation of additional resources and issues from the Consolidated Fund in respect of Excess Votes are given legislative authority in the Spring Consolidated Fund Act in March.
7. Part I shows the net total amount of Excess Votes. Part II provides a Statement of Excesses for each Estimate concerned. Part III provides an explanation of the reasons for each excess.

2001–02

STATEMENT OF EXCESSES

Part I	Total net resource requirement	£1,504,912,617.37
	Total net cash requirement	£199,955,750.09

STATEMENT of the amounts required to be voted in order to make good excesses for the year ended 31 March 2002

Part II Summary of 2001–02 Statement of Excesses by Department

Request for Resources (RfR) Title	Resources		Cash	
	Excess	Amount to be voted	Excess	Amount to be voted
	£	£	£	£
Teachers' Pension Scheme (England and Wales)				
1 Teachers' pensions				
Excess expenditure	15,187,567.51			
<i>Less:</i> Surplus income available to be applied as operating appropriations in aid	<u>15,186,567.51</u>	1,000.00	–	–
Department for Transport, Local Government and the Regions				
2 Promoting modern, integrated and safe transport and providing customer-focussed regulation				
Excess expenditure	562,348,526.61			
<i>Less:</i> Surplus income available to be applied as operating appropriations in aid	<u>6,363,266.82</u>	555,985,259.79	–	–
Charity Commission				
1 Giving the public confidence in the integrity of charity				
Excess expenditure (administration costs)	424,952.51			
<i>Less:</i> Net savings available on other expenditure subheads	<u>423,952.51</u>	1,000.00	–	–
Serious Fraud Office				
1 Reducing fraud and the cost of fraud and delivering justice and the rule of law				
Excess expenditure	1,780,897.41	1,780,897.41	298,647.03	298,647.03
Ministry of Defence				
1 Provision for defence capability				
Excess expenditure	601,816,500.45	601,816,500.45	–	–
Foreign and Commonwealth Office				
1 Promoting internationally the interests of the UK and contributing to a strong world community				
Excess expenditure	59,853,207.72	59,853,207.72	–	–

Part II (continued)

Request for Resources (RfR) Title	Resources		Cash	
	Excess	Amount to be voted	Excess	Amount to be voted
	£	£	£	£
Postal Services Commission				
1	Ensuring the provision of a universal postal service at a uniform tariff, protecting consumers, and providing competition			
	Excess expenditure	325,564.49	352,471.22	
	<i>Less: Surplus income available to be applied as operating appropriations in aid</i>			
		324,564.49	319,921.42	32,549.80
Department for Culture, Media and Sport				
	Excess expenditure	–	50,921,641.90	50,921,641.90
Northern Ireland Office				
5	Transfers to the Northern Ireland Consolidated Fund			
	Excess expenditure	285,248,000.00	148,702,911.36	148,702,911.36
Royal Mint				
1	Wider commercial operations			
	Excess expenditure	225,752.00	–	–
Totals to be voted		1,504,912,617.37	199,955,750.09	

TREASURY CHAMBERS

RUTH KELLY

March 2003

Part III Explanations

Teachers' Pension Scheme (England and Wales)

Excess expenditure over the gross Estimate provision for RfR1 (Teachers' pensions) amounted to £15,187,567.51 of resources. The excess occurred because of a change in accounting policy for premature retirement compensation and the correction of accounting estimates. After the end of the financial year, the Scheme made a number of changes in the way in which it accounted for early retirement liabilities to ensure that all relevant costs and income were included. These changes resulted in additional charges against resource outturn that had not been included in the Scheme's Estimates. Since these changes were identified after 31 March 2002, it was not possible for the Scheme to apply to increase the Request for Resources via a Supplementary Estimate. There was, however, surplus income of classes authorised to be used as operating appropriations in aid amounting to £74.5 million. Parliamentary authority is sought to apply £15,186,567.51 of the surplus operating appropriations in aid towards meeting the excess, leaving a token amount of resources of £1,000 to be provided by an Excess Vote.

Department for Transport, Local Government and the Regions

Excess expenditure over the gross Estimate provision for RfR2 (Promoting modern, integrated and safe transport and providing customer-focussed regulation) amounted to £562,348,526.61 of resources. The main components of the Excess were £456 million additional resource expenditure on roads by the Highways Agency and overspending totalling £369 million by the Department on railway expenditure (£96 million), additional charges incurred from increases to provisions for pensions principally for former railway employees (£199 million) and an unexpected loss on the part disposal of the government's stake in National Air Traffic Services (No 2) Limited (£74 million). This overspending was partly offset by savings elsewhere. The Department remained within its Net Cash Requirement, and the excesses largely arose from failures to distinguish properly between current and capital expenditure or allow fully for non-cash expenditure both in preparing Estimates and in subsequent monitoring of outturn. Some of the excesses were the result of adjustments made to reflect information that only became available after the end of the financial year. The financial reporting and monitoring systems operated by the Agency during 2001–02 did not identify these additional resource costs at an early enough stage to enable the Department to seek a Supplementary Estimate. There was, however, surplus income of classes authorised to be used as operating appropriations in aid amounting to £6,363,266.82. Parliamentary authority is sought to apply the total of this surplus operating appropriations in aid towards meeting the excess, leaving additional resources of £555,985,259.79 to be provided by an Excess Vote.

Charity Commission

Excess expenditure over the Administration Costs Limit for the Charity Commission amounted to £424,952.51. The breach of the Administration Costs Limit occurred because the Department did not ensure that its administration costs were properly forecast in its Estimate, and did not have in place the management and financial systems necessary to budget for and monitor outturn on an accruals basis. The Charity Commission failed to reflect changes in the level of activities between 2000–01 and 2001–02 in the Department's Administration Costs Limit. The Department's financial control was further weakened by a shortage of qualified accountants. There were savings on other current expenditure subheads of £426,530. Arrangements previously notified to Parliament relating to breaches of cash-based running costs limits are being applied to administration costs limits – their accruals-based successor. Under these arrangements the Treasury has refused to authorise the savings made on the Commission's other subhead to be applied towards meeting the excess of £424,952.51 incurred against its Administration Costs Limit. Parliamentary authority is sought to apply £423,952.51 of the savings towards meeting the excess on administration costs, leaving a token amount of resources of £1,000 to be provided by an Excess Vote.

Part III Explanations *(continued)*

Serious Fraud Office Excess expenditure over the gross Estimate provision for RfR 1 (Reducing fraud and the cost of fraud and the rule of law) amounted to £1,780,897.41 of resources. There was also excess expenditure amounting to £298,647.03 of cash. In addition, there was a breach of the Administration Costs Limit by £229,000.00. The excesses occurred because the Department did not have the financial systems in place to manage its expenditure on a resource basis properly during the year (therefore failing to identify an increase in creditors and accruals of £1 million) and overestimated its operating income. Parliamentary authority is sought to provide for the excess expenditure by an Excess Vote.

Ministry of Defence Excess expenditure over the gross Estimate provision for RfR 1 (Provision for defence capability) amounted to £601,816,500.45 of resources. The excess occurred because of unforecast charges arising from the impairment of fixed assets. These impairment charges arose from decisions to withdraw certain defence assets from service and the reassessment of the operational capability of other defence assets. In total, these extra impairment and depreciation charges amounted to £702 million. The Department's financial monitoring concentrated on remaining within the Treasury's spending controls, so the financial impact of the decisions to withdraw assets were not considered in time to seek a Spring Supplementary Estimate. Savings on other items reduced the net Excess on RfR1 to £602 million. Parliamentary authority is sought to provide for the excess expenditure by an Excess Vote.

Foreign and Commonwealth Office Excess expenditure over the gross Estimate provision for RfR 1 (Promoting internationally the interests of the UK and contributing to a strong world community) amounted to £59,853,207.72 of resources. The excess against RfR1 and a breach of the Administration Costs Limit by £31,244,283.26 occurred because of failures to distinguish properly between current and capital expenditure, unforecast charges arising from a reclassification of capital expenditure as current expenditure and a fall in the valuation of some overseas properties. The Department made savings of £3.3 million in aggregate on other subheads, but the Treasury refused to authorise the application of these savings to meet the excess. As a result, the Excess Vote requested of £59.8 million is £3.3 million higher than the net overspend on RfR1 of £56.5 million as shown in the Department's resource accounts. Parliamentary authority is sought to provide for the excess expenditure by an Excess Vote.

Postal Services Commission Excess expenditure over the gross Estimate provision for RfR1 (Ensuring the provision of a universal postal service at a uniform tariff, protecting consumers, and providing competition) amounted to £325,564.49 of resources. There was also excess expenditure amounting to £352,471.22 of cash. The excess expenditure occurred because the Postal Services Commission, a relatively new body, failed to make appropriate provisions for changes in its circumstances. As a new regulatory entity the Commission found it difficult to predict reliably how its workload would develop, and what resources it would require. There was, however, surplus income of classes authorised to be used as operating appropriations in aid amounting to £326,000 and £319,921.42 of associated cash. Parliamentary authority is sought to apply £324,564.49 of the surplus operating appropriations in aid and the total amount of the associated cash towards meeting the excesses, leaving a token amount of resources of £1,000 and additional cash of £32,549.80 to be provided by an Excess Vote.

Department for Culture, Media and Sport Excess expenditure over the net Estimate amounted to £50,921,641.90 of cash. The excess occurred because, on 27 March 2002, the Department prepaid £153 million to sponsored bodies for grant-in-aid funding for the financial year 2002-03. The prepayments were properly recorded as an asset on the Department's balance sheet at 31 March 2002, and will be charged against resource outturn in the Department's 2002-03 financial statements. However, in approving the prepayment of grant-in-aid funding, the Department failed to recognise that the cash payments would be recorded against its net cash requirement for 2001-02. The authority of Parliament is sought to provide for the excess expenditure by an Excess Vote.

Part III Explanations *(continued)*

Northern Ireland Office

Excess expenditure over the gross Estimate provision on RfR 5 (Transfers to the Northern Ireland Consolidated Fund) amounted to £285,248,000.00 of resources. There was also excess expenditure amounting to £148,702,911.36 of cash. The excess was caused by a breakdown in communications between the Treasury and the Northern Ireland Departments. As a result, a request for additional funding for the Northern Ireland Consolidated Fund was not included in the Spring Supplementary Estimates. It was only when the Spring Supplementary Estimates were published that the omission was discovered. In the absence of Parliamentary approval for the additional funding from the Consolidated Fund, the Department of Finance and Personnel's funding requirements were met through funds held by the Northern Ireland Office and the Contingencies Fund. Parliamentary authority is sought to provide for the excess expenditure by an Excess Vote.

Royal Mint

Excess expenditure over the gross Estimate provision on RfR 1 (Wider commercial operations) amounted to £225,752.00 of resources. The Excess occurred because the income from the Royal Mint's new development of wider commercial operations (involving manufacturing and trading in 'non-coin' gifts and collectibles, such as jewellery and crystal) was insufficient to cover the expenditure incurred. The Agency's management failed to forecast with sufficient accuracy the timing of initial expenditure in 2001–02 on development and promotional activities and the generation of revenues in the following financial year. Parliamentary authority is sought to provide for the excess expenditure by an Excess Vote.

Published by TSO (The Stationery Office) and available from:

Online

www.tso.co.uk/bookshop

Mail, Telephone, Fax & E-mail

TSO

PO Box 29, Norwich, NR3 1GN

Telephone orders/General enquiries: 0870 600 5522

Order through the Parliamentary Hotline Lo-call 0845 7 023474

Fax orders: 0870 600 5533

E-mail: book.orders@tso.co.uk

Textphone 0870 240 3701

TSO Shops

123 Kingsway, London, WC2B 6PQ

020 7242 6393 Fax 020 7242 6394

68-69 Bull Street, Birmingham B4 6AD

0121 236 9696 Fax 0121 236 9699

9-21 Princess Street, Manchester M60 8AS

0161 834 7201 Fax 0161 833 0634

16 Arthur Street, Belfast BT1 4GD

028 9023 8451 Fax 028 9023 5401

18-19 High Street, Cardiff CF10 1PT

029 2039 5548 Fax 029 2038 4347

71 Lothian Road, Edinburgh EH3 9AZ

0870 606 5566 Fax 0870 606 5588

The Parliamentary Bookshop

12 Bridge Street, Parliament Square,

London SW1A 2JX

Telephone orders/General enquiries 020 7219 3890

Fax orders 020 7219 3866

TSO Accredited Agents

(see Yellow Pages)

and through good booksellers

ISBN 0-10-292097-4



9 780102 920970