
Export Credits Guarantee Department

Introduction

1. The Export Credits Guarantee Department (ECGD) has two Requests for Resources (RfRs), one covering export finance assistance and the other covering trading operations and operating costs.
2. Full details of all ECGD's activities are reported to Parliament in the annual resource Accounts and published by The Stationery Office Limited as 'ECGD: Annual report and Resource Accounts'.

RfR 1: To provide export finance assistance through interest support to benefit the UK economy by facilitating exports

3. This RfR provides for the resources needed by ECGD for its programme of financial support for exporters. Statutory authority is given under sections 1 and 3 of the Export and Investment Guarantees Act 1991.
4. Section A provides for costs arising from interest equalisation agreements with lending banks under the fixed rate export finance scheme (FREF). This section also provides for payment of grants to lenders to meet the difference between fixed consensus rates and concessionary rates of interest offered on commercial loans for long-term projects in developing countries, or for certain long-term defence export contracts. It also incorporates the costs/savings arising from ECGD initiatives aimed at reducing or containing the cost of supporting exports, e.g. in connection with arrangements for capital market funding of fixed rate export finance loans and for certain interest rate swap arrangements. It also includes the mixed credit matching facility, which reduced the cost of export finance to match foreign competition in certain circumstances.
5. Section B provides for the funding of a refinancing programme currently undertaken by the Guaranteed Export Finance Corporation (GEFCO), a private sector company which operates on behalf of ECGD. Figures shown represent the funding loan and receipts of principal due under the loans plus interest equalisation between ECGD and GEFCO, which formerly fell within section A.

RfR 2: To provide export credit guarantees and investment insurance to benefit the UK economy by facilitating exports

6. This RfR provides for resources consumed by ECGD in providing credit insurance and other support activities for exporters including cover against certain risks for new direct overseas investment. Statutory authority for these activities is given in sections 1, 2 and 3 of the Export and Investment Guarantees Act 1991. This RfR also provides the resources to be consumed by ECGD in administering the operations described in this RfR and RfR1. Capital expenditure and the associated depreciation and capital charges (section A) are classified as expenditure within the Departmental Expenditure Limit (DEL). Administration costs (section B) are outside both DEL and AME (Annually Managed Expenditure) as they are met from trading income – premium income and moratorium interest (sections C and D). Charges made to exporters for the Department's services largely anticipate the recovery of related costs. Further trading expenses of £7.2 million are provided for in section C.
7. Section A provides for the new expenditure on fixed assets expected for 2005-06 together with the resources consumed to maintain ECGD's fixed assets including depreciation and capital charges.
8. Section B provides resources for ECGD's administration costs.
9. Section C provides for the resources consumed in the issuance and management of credit insurance guarantees and obligations arising from debt rescheduling agreements and costs relating to other forms of guarantee including cover to banks financing insured exports, indemnities for banks and surety companies issuing bonds against calls by overseas buyers, reinsurance arrangements with other countries' credit insurance organisations for jointly sourced

Introduction (*continued*)

goods and residual commitments under schemes which have been discontinued. Expenses in connection with the provision of these services are also covered and include commission to brokers for negotiating and administering ECGD guarantees, charges by agents for information on company and market risks, legal fees and professional advice on underwriting of guarantees and assessments of risk and liability and costs arising out of action taken to avoid or minimise potential loss or recover payments under guarantees.

10. Section D provides for claims, related expenses and recoveries under contracts insuring UK companies investing overseas against certain political risks.

11. Section E provides resources for ECGD to manage its portfolio by operating an Active Portfolio Management Risk Transfer Programme (the APM Programme), which is intended to mitigate risks in the ECGD portfolio (or any part of it) through arrangements with the private and/or public sectors, whether in the United Kingdom or overseas.

12. Symbols are explained in the Introduction to this booklet.

Part I

	£
Request for Resources 1: To provide export finance assistance through interest support to benefit the UK economy by facilitating exports	154,624,000
Request for Resources 2: To provide export credit guarantees and investment insurance to benefit the UK economy by facilitating exports	1,000
Total net resource requirement	154,625,000
Net cash requirement	1,000

Amounts required in the year ending 31 March 2006 for expenditure by the Export Credits Guarantee Department on:

RfR 1: To provide export finance assistance through interest support to benefit the UK economy by facilitating exports

Interest support to banks and other lenders of export finance, grants towards financing of exports to match foreign competition, the funding of the refinancing programme, and on associated non-cash items

RfR 2: To provide export credit guarantees and investment insurance to benefit the UK economy by facilitating exports

Export credit guarantees given in the national interest or to render economic assistance to overseas countries, overseas investment insurance, residual commitments under discontinued facilities, the cost escalation scheme subvention for the active management of the portfolio, and on associated non-cash items.

The **Export Credits Guarantee Department** will account for this Estimate.

	Net total	Allocated in Vote on Account	Balance to complete
	£	£	£
RfR 1	154,624,000	103,163,000	51,461,000
RfR 2	1,000	—	1,000
Total net resource requirement	154,625,000	103,163,000	51,462,000
Net cash requirement	1,000	—	1,000

Part II: Subhead detail

£'000

2005-06						2004-05 Provision	2003-04 Outturn		
Resources						Capital		Net Total Resources	Net Total Resources
Admin	Other Current	Grants	Gross Total	A in A	Net Total	Capital	Non- operating A in A		
1	2	3	4	5	6	7	8	9	10
RfR 1: To provide export finance assistance through interest support to benefit the UK economy by facilitating exports									
-	88,941	97,673	186,614	31,990	154,624	20,000	20,000	229,250	203,698
Spending in Annually Managed Expenditure (AME)									
<i>Central Government spending</i>									
A Fixed Rate Export Finance									
-	67,798	-	67,798	30,096	37,702	-	-	50,125	21,597
Non-budget									
B GEFCO loans and interest equalisation									
-	21,143	97,673	118,816	1,894	116,922	20,000	20,000	179,125	182,101
RfR 2: To provide export credit guarantees and investment insurance to benefit the UK economy by facilitating exports									
-	43,050	65,277	108,327	108,326	1	505	-	1	1
Spending in Departmental Expenditure Limits (DEL)									
<i>Central Government spending</i>									
A Administration									
-	602	-	602	-	602	505	-	673	659
Non-budget									

Part II: Subhead detail (continued)

£'000

2005-06						2004-05 Provision	2003-04 Outturn		
Resources						Capital		Net Total Resources	Net Total Resources
Admin	Other Current	Grants	Gross Total	A in A	Net Total	Capital	Non- operating A in A		
1	2	3	4	5	6	7	8	9	10
B	Admin - Running Costs								
-	-	38,971	38,971	7,420	31,551	-	-	34,688	30,003
C	Export Credits								
-	42,448	18,806	61,254	96,326	-35,072	-	-	-101,360	-24,143
D	Overseas Investment Insurance								
-	-	-	-	4,580	-4,580	-	-	-6,000	-6,649
E	APM								
-	-	7,500	7,500	-	7,500	-	-	72,000	131
Total for Estimate:									
-	131,991	162,950	294,941	140,316	154,625	20,505	20,000	229,251	203,699

Part II: Resource to cash reconciliation

	2005-06		2004-05		2003-04	
	Provision		Provision		Outturn	
Net Total Resources		154,625		229,251		203,699
Voted capital items						
Capital		20,505		105,545		10,061
Less Non-operating A-in-A		20,000		105,000		9,812
Total net voted capital		505		545		249
Accruals to cash adjustment						
Adjustments to remove non-cash items:						
Cost of Capital charges		-140,234		-212,788		-237,514
Depreciation		-489		-547		-596
New provisions and adjustments to previous provisions		-11,888		9,419		-8,154
Profit (+) / loss (-) on sale of assets		-		-		-
Prior period adjustments		-		-		-
Other non-cash items		-206,663		-197,817		-104,900
Increase (+) / Decrease (-) in stock		-		-		-
Increase (+) / Decrease (-) in debtors		-140,966		-25,794		-84,520
Increase (-) / Decrease (+) in creditors		103,265		-46,893		58,449
Use of provisions		-		-		-
Total accruals to cash adjustments		-396,975		-474,420		-377,235
Excess cash to be CFERd		241,846		244,625		173,288
Net Cash Requirement		1		1		1

Part III: Extra receipts payable to the Consolidated Fund

In addition to appropriations in aid the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics):-

	2005-06		2004-05		2003-04	
	Provision		Provision		Outturn	
	Income	<i>Receipts</i>	Income	<i>Receipts</i>	Income	<i>Receipts</i>
Operating income not classified as AinA	248,586	<i>349,260</i>	137,234	<i>137,234</i>	556,599	<i>378,054</i>
Non-operating income not classified as AinA	349,261	<i>349,261</i>	370,318	<i>370,318</i>	751,007	<i>751,007</i>
Other amounts collectable on behalf of the Consolidated Fund	114,972	<i>114,972</i>	178,724	<i>184,000</i>	182,163	<i>172,847</i>
Excess cash receipts to be surrendered to the Consolidated Fund	-	<i>241,846</i>	-	<i>244,625</i>	-	<i>173,288</i>
Total	712,819	<i>1,055,339</i>	686,276	<i>936,177</i>	1,489,769	<i>1,475,196</i>

Forecast Operating Cost Statement

	£'000		
	2005-06 Provision	2004-05 Provision	2003-04 Outturn
Net Administration Costs			
RfR 1	-	-	-
RfR 2	-	-	-
Total Net Administration costs	-	-	-
Net Programme Costs			
RfR 1	154,624	229,250	203,698
RfR 2	-248,585	-137,233	-556,598
Total Net Programme costs	-93,961	92,017	-352,900
Total Net Operating Cost	-93,961	92,017	-352,900
<i>of which:</i>			
Net Resource Outturn	154,625	229,251	203,699
CFERs	-248,586	-137,234	-556,599
Non-voted expenditure	-	-	-
Resource Budget Outturn	-75,168	-126,337	-159,907

Notes to the Main Estimate

Reconciliation of resource expenditure between Estimates, Accounts and Budgets

	£'000		
	2005-06	2004-05	2003-04
	Provision	Provision	Outturn
Net Resource Outturn (Estimates)	154,625	229,251	203,699
<i>Adjustments to remove:</i>			
provision voted for earlier years	-	-	-
<i>Adjustments to additionally include:</i>			
non-voted expenditure in the OCS	-	-	-
Consolidated Fund Extra Receipts in the OCS	-248,586	-137,234	-556,599
Other adjustments	-	-	-
Net Operating Cost (Accounts)	-93,961	92,017	-352,900
<i>Adjustments to remove:</i>			
capital grants to local authorities	-	-	-
capital grants financed from the Capital Modernisation Fund	-	-	-
European Union income and related adjustments	-	-	-
voted expenditure outside the budget	-116,321	-178,453	-181,443
<i>Adjustments to additionally include:</i>			
other Consolidated Fund Extra Receipts	248,586	137,234	556,599
resource consumption of non departmental public bodies	-	-	-
unallocated resource provision	-	-	-
Other adjustments	-113,472	-177,135	-182,163
Resource Budget Outturn (Budget)	-75,168	-126,337	-159,907
<i>of which:</i>			
Departmental Expenditure Limits (DEL)	602	673	659
Annually Managed Expenditure (AME)	-75,770	-127,010	-160,566

Reconciliation of capital expenditure between Estimates and Budgets

	£'000		
	2005-06	2004-05	2003-04
	Provision	Provision	Outturn
Net Voted Capital Outturn (Estimates)	505	545	249
<i>Adjustments to remove:</i>			
gains / losses from sale of capital assets	-	-	-
<i>Adjustments to additionally include:</i>			
other Consolidated Fund Extra Receipts	-349,261	-370,318	-751,007
capital spending by non-departmental public bodies	-	-	-
capital grants to local authorities	-	-	-
capital grants financed by the Capital Modernisation Fund	-	-	-
local authority credit approvals	-	-	-
capital spending by levy funded bodies	-	-	-
unallocated capital provision	-	-	-
Other adjustments	-	-	-
Capital Budget Outturn (Budget)	-348,756	-369,773	-750,758
<i>of which:</i>			
Departmental Expenditure Limits (DEL)	505	545	249
Annually Managed Expenditure (AME)	-349,261	-370,318	-751,007

Notes to the Main Estimate *(continued)*

Explanation of Accounting Officer responsibilities

Explanation of Accounting Officer responsibilities

In accordance with Government Resources and Accounts Act 2000 the Treasury has made the following Accounting Officer appointment for the Request for Resources within this Estimate.

Request for Resources 1: Patrick Crawford, Chief Executive of the Export Credits Guarantee Department

Request for Resources 2: Patrick Crawford, Chief Executive of the Export Credits Guarantee Department

Patrick Crawford as the Principal Accounting Officer (PAO) of the Export Credits Guarantee Department has personal responsibility for the proper presentation of the department's resource accounts as prescribed in legislation, or by the Treasury, and their transmission to the Comptroller and Auditor General. The PAO as the permanent head, remains in general overall charge of the Export Credits Guarantee Department.

The responsibilities of an Accounting Officer are set out in Annex 4.1 of Government Accounting. In essence these responsibilities include a personal responsibility for the propriety and regularity of the public finances for which they are answerable; for keeping of proper accounts; for prudent and economical administration; for the avoidance of waste and extravagance; and for the efficient and effective use of all the available resources. In addition, the Accounting Officer must ensure that there is a sound system of internal control to support the achievement of the Export Credits Guarantee Department's policies, aims, and objectives; and should regularly review the effectiveness of that system.

Notes to the Main Estimate *(continued)*

Analysis of appropriations in aid (A in A)

	£'000					
	2005-06 provision		2004-05 provision		2003-04 outturn	
	Operating A in A	Non- operating A in A	Operating A in A	Non- operating A in A	Operating A in A	Non- operating A in A
RfR 1: To provide export finance assistance through interest support to benefit the UK economy by facilitating exports						
Interest make-up receipts	31,990	—	61,395	—	114,219	—
Repayment of loan principal	—	20,000	—	105,000	—	115,000
Total RfR 1	31,990*	20,000**	61,395	105,000	114,219	115,000
*Amount that may be applied as appropriations in aid in addition to the net total, arising from the recovery of income from interest make-up receipts.						
**Amount that may be applied as non-operating appropriations in aid in addition to the net total arising from repayment of loan principal.						
RfR 2: To provide export credit guarantees and investment insurance to benefit the UK economy by facilitating exports						
Premium and moratorium interest income	108,326	—	158,394	—	89,393	—
Total RfR2	108,326*	—	158,394	—	89,393	—
*Amount that may be applied as appropriations in aid in addition to the net total, arising from premium and moratorium interest.						
Total A in A	140,316	20,000	219,789	105,000	203,612	115,000
<i>of which: Administration Budgets</i>	—	—	—	—	—	—

Analysis of Consolidated Fund Extra Receipts (CFERs)

	£'000					
	2005-06 provision		2004-05 provision		2003-04 outturn	
	Income	Receipts	Income	Receipts	Income	Receipts
Loan repayments (surplus principal) △	349,261	349,261	370,318	370,318	751,007	751,007
Loan repayments (interest) ●	114,972	114,972	178,724	184,000	182,163	172,847
Premium and moratorium interest (income); premium, recoveries of claims payments, moratorium interest (receipts) ●	248,586	349,260	137,234	137,234	556,599	378,054
Excess cash to be surrendered to the Consolidated Fund	—	241,846	—	244,625	—	173,288
Total CFERs	712,819	1,055,339	686,276	936,177	1,489,769	1,475,196

Notes to the Main Estimate *(continued)*

Departmental Expenditure Limits and Administration Budgets

£'000

Details of 2005-06 Departmental Expenditure Limits (DEL) and Administration budget limits

	Voted*	Non-voted	Total
Resource DEL	602	—	602
<i>of which: Administration budget</i>	—	—	—
Capital DEL**	505	—	505
Less depreciation†	-489	—	-489
Total DEL	618	—	618

* Excludes EU receipts included in Estimates, but excluded in Budgets.

** Capital DEL includes items treated as resource in Estimates and Accounts, but which are treated as part of Capital DEL, under stage 2 of Resource Accounting and Budgeting, as implemented in the 2002 Spending Review.

† Depreciation, which forms part of resource DEL, is excluded from total DEL since capital DEL includes capital spending and to include depreciation of those assets would lead to double counting.

Comparisons of provision sought with final provision and forecast outturn for the previous year

The total net resource sought for 2005-06 of £154,625,000 is 32.6 per cent lower than the final provision and forecast outturn for 2004-05 of £229,251,000.

Notes to the Main Estimate *(continued)*

Cash which may be retained to offset expenditure

£'000

Cash which may be retained by the department to offset expenditure in the year due to its relationship with income (operating and non-operating) that has been or will be appropriated in aid.

	2005-06 provision	2004-05 provision	2003-04 outturn
	160,316	324,787	441,945

Contingent Liabilities

There were several contingent liabilities outstanding at 31 March 2004, where costs arising would be met from the request for resources as follows:

Statute	Nature of liability	£ m
RfR 1		
Export and Investment Guarantees Act 1991	Section 1 activities	2,946
Export and Investment Guarantees Act 1991	Section 3 activities	255
RfR 2		
Export and Investment Guarantees Act 1991	Section 1	15,618
Export and Investment Guarantees Act 1992	Section 2	606
Export and Investment Guarantees Act 1993	Section 3	1,895