

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

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# Consolidated Fund Account 2007-2008

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# Consolidated Fund Account 2007-2008

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## Foreword

The Consolidated Fund (CF) was first set up in 1787 as 'one fund into which shall flow every stream of public revenue and from which shall come the supply for every service'. The basis of the financial mechanism by which the CF is operated is governed by the Exchequer and Audit Departments Act 1866.

In order to separate government revenue and expenditure on the one hand and government borrowing and lending on the other, the National Loans Fund (NLF) was established on 1 April 1968 by the National Loans Act 1968 to account for government borrowing and lending, which were until then accounted for within the CF. The accounts for the CF and NLF are now published separately.

Both the CF and NLF are administered by the Treasury, with the bank accounts maintained at the Bank of England. The CF can therefore be regarded as central government's current account, whereas the NLF can be regarded as central government's main borrowing and lending account. By virtue of section 19(1) of the National Loans Act 1968, the net liabilities of the NLF are a liability of the CF.

### Scope of the Consolidated Fund Account

The CF receives the proceeds of taxation and certain other government receipts, makes issues to finance Supply Services, meets the Standing Services directly charged by Statute, and reimburses the NLF for net interest costs. The CF finishes every day with a nil balance on its bank account because any surpluses or deficits are offset by transfers to or from the NLF.

The receipts of the CF mainly consist of

- tax revenues such as those collected by Her Majesty's Revenue & Customs (HMRC);
- other receipts paid over by departments (Consolidated Fund Extra Receipts);
- repayments from the Contingencies Fund; and
- balancing payments from the NLF when daily payments by the CF exceed its receipts.

The payments from the CF are mainly for

- Supply Services, which are payments issued to Government departments to finance their 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, and United Kingdom contributions to the budget of the European Communities.
- Issues to the Contingencies Fund.
- Balancing payments to the NLF when daily receipts into the CF exceed its payments.

### Summary of Outturn for 2007-2008

The outturn for the year shows payments and receipts of £435 billion (2006-2007 – £408 billion), including £49.0 billion (2006-2007 – £30.6 billion) from the NLF to cover what would have been the deficit for the year. Both payments and receipts include advances to HMRC to cover daily revenue shortfalls, as reported in Note 6. If this factor, transactions with the Contingencies Fund and transfers to and from the NLF are excluded, underlying receipts increased by 2.4 per cent from £369.8 billion to £378.5 billion, whilst underlying payments increased by 7.3 per cent from £380.5 billion to £408.1 billion. This caused underlying net payments to rise from £10.7 billion to £29.6 billion. In addition, the payments made by the CF to meet the NLF's net interest payments decreased from £19.9 billion to £19.4 billion. As a result, the net deficit on the CF, which was financed by transfers from the NLF, increased from £30.6 billion to £49.0 billion, an increase of £18.4 billion. Details are shown in the following table.

	<b>2007-2008</b> <b>£ billion</b>	2006-2007 £ billion
<b>Receipts</b>		
Tax revenue		
HMRC (net of Consolidated Fund advances)	<b>337.7</b>	321.4
Other tax revenue	<b>24.3</b>	24.8
Total tax revenue	<b>362.0</b>	346.2
Other receipts*	<b>16.5</b>	23.6
<b>Total underlying receipts</b>	<b>378.5</b>	369.8
<b>Payments</b>		
Supply Services	<b>398.1</b>	371.6
Standing Services**	<b>10.0</b>	8.9
<b>Total underlying payments</b>	<b>408.1</b>	380.5
<b>Net underlying payments</b>	<b>29.6</b>	10.7
Payments to NLF for net interest	<b>19.4</b>	19.9
<b>Deficit met by NLF</b>	<b>49.0</b>	30.6

\* Excludes repayments from Contingencies Fund and deficit funding from NLF

\*\* Excludes revenue advances to HMRC and payments to NLF for net interest

The increase in the deficit of £18.4 billion was largely the result of an increase in tax receipts of £15.8 billion being offset by a fall in other receipts of £7.1 billion and an increase in Supply payments to government departments of £26.5 billion. The cause of the £7.1 billion reduction in other receipts was mainly due to receipts in 2006-2007 via the then Department of Trade and Industry. These were in respect of a special dividend from BNFL plc of £1.8 billion and from the sale of BNFL's Nuclear Liabilities Investment Portfolio (NLIP) of £3.7 billion, which were not repeated in 2007-2008. Supply payments to government departments increased generally. The largest increases were to educational departments, which increased by £9.7 billion, and to the Department of Health, which increased by £4.9 billion. In their resource accounts, each government department publishes an analysis of its supply and how it has been spent.

### Preparation of the account

The Account is prepared under section 21 (1) of the National Loans Act 1968. The Act requires the Treasury to prepare an account for the CF for each financial year in such form and containing such information as the Treasury considers appropriate.

The CF Account remains on a cash basis, as an account of payments and receipts. Notes to the Account provide detail on receipts and Standing Service payments. Certain transactions, balances and contingent liabilities, borne directly by the CF, cannot be brought to account in other statutory accounts and are disclosed more appropriately in notes accompanying the CF Account. These items include liabilities in respect of pensions paid directly from the CF, coinage issued and redeemed and the UK's capital subscription to the European Investment Bank. This additional information is disclosed on an accruals basis in Notes 7-11 to the CF Account to assist preparation of Whole of Government Accounts.

There is no direct read-across between the accruals-based Notes 7-11 and the cash-based CF receipts and payments account.

**Audit**

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Consolidated Fund's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the Consolidated Fund's auditors are unaware.

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

**Authorisation for the Account to be issued**

The Account was authorised by me for issue on 7 July 2008.

*Nicholas Macpherson*  
Accounting Officer  
HM Treasury

2 July 2008

## 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 the Foreword, Notes 7-11 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

## 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 resource allocation and utilisation 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.

## The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance against material mis-statement or loss. 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 2008 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

## Capacity to handle risk

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

EFA staff working on the Consolidated Fund are trained and equipped to manage risk in a way appropriate to their authority and duties. Guidance on risk management is available to all staff on the intranet and individuals' objectives reflect the need to manage risks, particularly those related to business continuity. Business continuity resilience is regularly tested locally and with business partners, and lessons learned feed into improved business continuity processes.

## The risk and control framework

The key risks in managing the Consolidated Fund are

- Irregularity of transactions, including fraudulent or erroneous payments;
- incorrect accounting;
- failure of IT systems;
- failure to provide an effective service in adverse circumstances, including disaster situations; and
- failure of principal counterparties to provide agreed services.

The risk management strategy includes periodic horizon scanning to update the risk register and identify any changes in risk exposure, to evaluate the change and identify appropriate mitigating actions.

The controls in place for the management of the Consolidated Fund include

- clear separation of duties enforced by appropriate user permissions within the Accounting System and payment approval panels;
- up to date policy and procedures manuals including job instructions that are readily accessible to all operational staff;
- computer-generated payment instructions derived from underlying transaction records, to minimise the risk of keying errors;
- clear and comprehensive audit trail in the IT system, to which the National Audit Office Exchequer Section has real time access;
- to ensure business continuity resilience in key areas, staff within EFA are trained to do a range of jobs and are required to swap jobs periodically to keep their knowledge up to date;
- well developed Service Level Agreements covering financial relationships, standards and requirements for the interchange of information with all principal counterparties;
- the existence of application controls within the IT system used to manage financial transactions and account for receipts and payments on the Consolidated Fund;
- risks that impact upon EFA's key stakeholders are managed by their involvement in business continuity planning and testing;
- measures that could enable essential payments business to continue in the event of the normal arrangements for granting credit being disrupted; and
- the regular review and maintenance of a consolidated business continuity plan and developing further business continuity arrangements within the framework of the Treasury's corporate Business Continuity Plan facilities.

Separately, 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.

EFA aim to identify possible areas for operational risk reduction and control improvements. In 2007-2008 EFA has continued to invest in its staff and systems. EFA has also worked closely with its key external stakeholders, such as the Bank of England, the National Audit Office, the Debt Management Office and Her Majesty's Revenue & Customs to ensure business continuity plans are joined-up and resilient. This included a joint test with various organisations operating from their own contingency sites concurrently.

The Exchequer Funds Audit Committee is responsible for supporting me as Accounting Officer in matters relating to oversight of the governance, internal control and risk management. The Exchequer Funds Audit Committee performs this role for the Accounting Officers of each of the Exchequer Funds, which are the Debt Management Account, the Public Works Loan Board, the Commissioners for the Reduction of the National Debt, the Exchange Equalisation Account, the Consolidated Fund, the National Loans Fund and the Contingencies Fund. Members of the Committee are appointed for periods of up to three years, extendable by no more than one additional three-year period. The Chair of the Committee reports directly to me. The current membership of the Committee is

- Colin Price, Chair, non-executive member of the Debt Management Office's Managing Board, until December 2006 Chair of the Lord Chancellor's Strategic Investment Board and formerly Global Pension Fund Adviser/Finance Director at Shell Pensions Management Services Limited;
- Brian Larkman, non-executive member of the Debt Management Office's Managing Board and formerly Global Head of Money Markets at the Royal Bank of Scotland PLC; and
- Mark Clarke, until June 2008 Director General – Finance and Strategy at the Department for Business, Enterprise and Regulatory Reform.

## Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of Exchequer Funds Internal Audit who provided positive assurance as to the management and control of the CF in 2007-2008 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 Exchequer Funds Audit Committee and risk owners in addressing weaknesses and ensuring continuous improvement of the system is in place. The Exchequer Funds Audit Committee considered the 2007-2008 accounts in draft and provided me with its views before I formally signed the accounts. The system of internal control was effective with no significant control issues identified in 2007-2008.

*Nicholas Macpherson*  
Accounting Officer  
HM Treasury

2 July 2008

# 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 2008 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 11. These financial statements have been prepared under the accounting policies set out within them.

## Respective responsibilities of the Accounting Officer and Auditor

The Accounting Officer is responsible for preparing the Foreword, the Statement on Internal Control and the financial statements in accordance with Section 21(1) of the National Loans Act 1968 and in the form prescribed by HM Treasury. The Accounting Officer is also responsible for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements properly present the receipts and payments of the Consolidated Fund and whether the financial statements have been properly prepared in accordance with the National Loans Act 1968 and in the form prescribed by HM Treasury. I also report to you my opinion as to whether there exist any material misstatements in the accruals based disclosures in Notes 7 to 11 and whether these disclosures have been prepared in accordance with the accounting policies set out in the Notes.

I report to you whether, in my opinion, the information included in the Foreword is consistent with the financial statements. I also report whether in all material respects the receipts and payments have been applied to the purposes intended by Parliament and the financial transactions of the Consolidated Fund conform to the authorities which govern them.

In addition, I report to you if proper accounting records have not been kept or if I have not received all the information and explanations I require for my audit, or if other information specified by HM Treasury is not disclosed.

I review whether the Statement on Internal Control reflects the Consolidated Fund's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of HM Treasury's corporate governance procedures or its risk and control procedures.

I read the information contained in the Foreword and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

## Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Consolidated Fund's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error and that, in all material respects, the financial transactions have been applied to the purposes intended by Parliament and conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinions

### **Audit Opinion**

In my opinion

- the Receipts and Payments Account and supporting Notes 1 to 6 properly present, in accordance with the National Loans Act 1968 and the form prescribed by HM Treasury, the receipts and payments of the Consolidated Fund for the year ended 31 March 2008;
- the information contained within Notes 7 to 11, in relation to certain statutory pension arrangements, coinage issued and redeemed, fixed asset investments and contingent liabilities as at 31 March 2008, is not materially misstated and has been prepared in accordance with the accounting policies set out in the Notes;
- the financial statements have been properly prepared in accordance with the National Loans Act 1968 and in the form prescribed by HM Treasury; and
- information contained in the Foreword is consistent with the financial statements

### **Audit 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.

### **Report**

I have no observations to make on these financial statements.

*T J Burr*  
Comptroller and Auditor General

7 July 2008

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## Consolidated Fund

### Receipts and Payments Account for the year ended 31 March 2008

	Notes	2007-2008 £ million	2006-2007 £ million
<b>Receipts</b>			
<b>Tax revenue</b>			
HMRC	2	<b>341,960</b>	327,957
Vehicle Excise Duty	2	<b>5,397</b>	5,109
National Non-Domestic Rates	2	<b>18,933</b>	19,696
		<b>366,290</b>	352,762
<b>Other receipts</b>			
Repayments from the Contingencies Fund		<b>2,994</b>	1,497
Miscellaneous	3	<b>16,486</b>	23,591
Deficit funded from the National Loans Fund		<b>49,028</b>	30,552
<b>Total receipts</b>		<b>434,798</b>	408,402
<b>Payments</b>			
<b>Supply services</b>			
<b>Standing services</b>			
Payments to the National Loans Fund for net interest payments		<b>19,390</b>	19,898
Payments to the budget of the European Communities	5	<b>9,786</b>	8,684
Other Standing Services	6	<b>4,463</b>	6,744
		<b>431,798</b>	406,902
Issues to the Contingencies Fund		<b>3,000</b>	1,500
<b>Total payments</b>		<b>434,798</b>	408,402

The notes on pages 12 to 20 form part of this Account.

Nicholas Macpherson  
Accounting Officer  
HM Treasury

2 July 2008

# Notes to the Accounts

## 1 Statement of accounting policies

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 7-11 to assist preparation of Whole of Government Accounts. They are restricted to those items not disclosed in departmental resource 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 7-11 and the Consolidated Fund receipts and payments account.

## 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 & Customs (HMRC), the Driver and Vehicle Licensing Agency (DVLA) and the Department for Communities and Local Government (DCLG).

Receipts previously collected by Inland Revenue and Customs and Excise are now presented as receipts of the merged department, Her Majesty's Revenue & Customs (HMRC). From the effective date of that merger (18 April 2005) HMRC was empowered to receive funding from the CF to meet its cash needs on days when its revenue-related outflows exceeded its receipts. Some £4.2 billion was advanced from the CF for this purpose in 2007-2008. As these advances do not have to be repaid, the sums paid into the CF as revenue by HMRC in 2007-2008 were £4.2 billion higher than they would have been under the arrangements that operated previously. The comparable amount for 2006-2007 was £6.5 billion. The advances are reported in note 6.

## 3 Miscellaneous receipts

	2007-2008 £ 000	2006-2007 £ 000
Receipts from Estimates credited to the Consolidated Fund	15,435,967	22,738,776
OFGEM revenue in respect of the Fossil Fuel Levy	120,000	255,000
United Kingdom coinage issued	125,450	208,000
Crown Estate surplus revenue	207,000	198,000
Broadcasting additional receipts and penalties	62,378	55,672
Crown's share of the Crown's Nominee Fund	30,000	54,000
Share of surplus accrued from securities for National Savings Bank	33,470	32,582
Land Registry – dividend on public dividend capital	16,548	14,229
National Savings Bank Ordinary Account contribution for management expenses	0	8,000
Over-issues of Supply repaid	399,095	7,594
Court Funds Investment Account – surplus income	16,200	0
Insolvency Service – unclaimed dividends	3,915	1,429
Miscellaneous	10,173	11,995
Receipts subsequently repaid	25,364	5,719
<b>Total</b>	<b>16,485,560</b>	<b>23,590,996</b>

In 2006-2007, receipts from Estimates credited to the Consolidated Fund included a special dividend from BNFL plc of £1.8 billion and £3.7 billion from the sale of BNFL's Nuclear Liabilities Investment Portfolio (NLIP). These were not repeated in 2007-2008 and account for the majority of the decrease in miscellaneous receipts.

#### 4 Analysis of Supply Services

##### a Supply Services issues and repayments

	Notes	<b>2007-2008</b> <b>£ 000</b>	2006-2007 £ 000
<b>Supply Issues</b>			
For current year		<b>397,693,233</b>	370,390,110
For previous years		<b>466,262</b>	1,185,604
Gross Supply Services issued		<b>398,159,495</b>	371,575,714
Prior year over-issues surrendered in cash	3	<b>(399,095)</b>	(7,594)
<b>Net supply services issued</b>		<b>397,760,400</b>	371,568,120

##### b Supply Services analysed by period

		<b>Year for which Supply granted</b>		
		<b>2007-2008</b> <b>£000</b>	2006-2007 £000	2005-2006 £000
Cash Supply granted by Parliament		<b>409,090,270</b>	388,668,410	364,877,368
Surplus not required		<b>n.a.</b>	17,238,716	11,956,449
Total Net Cash Requirement outturns reported by government departments		<b>n.a.</b>	371,429,694	352,920,919
Year of Payment/(Receipt):				
2005-2006	Issues made in year	<b>0</b>	0	353,736,491
	Prior year issues applied to a subsequent year	<b>0</b>	0	1,532,256
	Prior year over-issues surrendered in cash	<b>0</b>	0	0
2006-2007	Issues made in year	<b>0</b>	370,390,110	1,185,604
	Prior year issues applied to a subsequent year	<b>0</b>	3,531,763	(3,531,763)
	Prior year over-issues surrendered in cash	<b>0</b>	0	(1,669)
2007-2008	Issues made in year	<b>397,693,233</b>	466,262	0
	Prior year issues applied to a subsequent year	<b>2,558,570</b>	(2,558,570)	0
	Prior year over-issues surrendered in cash	<b>0</b>	(399,095)	0
	Prior year over-issues recoverable in 2008-2009	<b>n.a.</b>	(776)	0
<b>Total</b>		<b>n.a.</b>	371,429,694	352,920,919

Note 4a shows receipts and payments of Supply.

Note 4b analyses the receipts and payments of Supply according to the year for which the Supply was granted. The Net Cash Requirement for 2007-2008 will not be finalised until all Government departments have published their accounts. Therefore this figure and the subsequent analysis is noted as not available (n.a.). This will be published in the 2008-2009 Consolidated Fund Account.



## 5 United Kingdom contributions to the Budget of the European Communities

Member States' contributions to the Budget of the European Communities are made on the basis of the financing system set out in the Own Resources Decision which was agreed by all Member States and incorporated into UK law by virtue of the EC (Finance) Act 2001. The 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 Communities to be financed by own resources consisting of

- i customs duties, including those on agricultural products;
- ii sugar levies;
- iii VAT, which is the product of the application of a uniform rate, not exceeding 1 per cent, to a harmonised expenditure base, which must not, for any Member State, exceed 0.5 per cent of its GNI; and,
- iv a 'fourth' resource based on Member States' shares in Community GNI. The rate of this GNI based resource is whatever is required, given all other revenue, to balance the Budget.

The UK's abatement is calculated in accordance with the formula set out in the Own Resources Decision. It is equal to approximately 66 per cent of the difference in the previous year between what the UK would have paid if the Budget of the European Communities 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 Communities.

	<b>2007-2008</b>		2006-2007
	<b>Contribution</b>	<b>Adjustment of</b>	<b>Total</b>
	<b>for year ended</b>	<b>prior years'</b>	Total
	<b>31 March 2008</b>	<b>contributions</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Customs duties	<b>1,824,457</b>	<b>0</b>	1,739,342
Sugar levies	<b>(2,219)</b>	<b>0</b>	5,752
VAT contribution (before abatement)	<b>2,545,002</b>	<b>26,320</b>	2,287,291
Fourth resource contributions	<b>9,026,297</b>	<b>325,726</b>	8,212,502
	<b>13,393,537</b>	<b>352,046</b>	12,244,887
Less: UK abatement	<b>(4,017,104)</b>	<b>57,022</b>	(3,560,318)
	<b>9,376,433</b>	<b>409,068</b>	8,684,569

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

**6 Other Consolidated Fund Standing Services payments**

	Notes	2007-2008 £000	2006-2007 £000
<b>Civil list, annuities and pensions</b>			
Civil List payments		<b>9,513</b>	9,513
Royal Household Pension Scheme	7d	<b>3,497</b>	3,196
Pensions for Judicial Services	8	<b>39,800</b>	38,828
MEPs' pensions	7d	<b>1,095</b>	865
Political and Public Service pensions	8	<b>534</b>	333
Civil List pensions	8	<b>126</b>	121
<b>Salaries and allowances</b>			
Courts of Justice		<b>144,704</b>	140,013
Members of the European Parliament		<b>5,213</b>	5,154
Other		<b>1,379</b>	1,357
<b>Miscellaneous services</b>			
Election and referendum expenses		<b>9,621</b>	19,000
Advances to HMRC in support of revenue	2	<b>4,238,000</b>	6,512,000
Royal Mint		<b>7,065</b>	7,156
Miscellaneous refunds*		<b>2,634</b>	5,719
Other		<b>160</b>	598
<b>Total</b>		<b>4,463,341</b>	6,743,853

\* Miscellaneous refunds of £2.6 million in 2007-2008 included a £1.7 million refund to the EU Council Secretariat. This sum had been sent by the Secretariat to the Consolidated Fund to cover the travel expenses of UK officials involved with EC business. The expenses incurred were not reclaimed from the Secretariat and so the funds were returned accordingly. The other miscellaneous refunds in 2007-2008, and all those in 2006-2007, were paid to government departments.

**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 FRS 17 – *Retirement 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 section 6.5 of the Government's Financial Reporting Manual.

a *Actuarial assessment assumptions*

A full actuarial assessment was carried out for the Royal Household Pension Scheme as at 31 March 2008. A roll-forward actuarial assessment was carried out for the MEPs under the European Parliament (UK Representatives) Pension Scheme, based on the full actuarial valuation at 31 March 2007. Both actuarial assessments were performed by the Government Actuary's Department. The major assumptions used by the actuary for both schemes were

	<b>At 31 March 2008</b>	At 31 March 2007
	<b>% per annum</b>	% per annum
Rate of increase in salaries	<b>4.30</b>	4.30
Discount rate	<b>5.32</b>	4.60

The assumed life expectancy at age 65 of pensioners retiring in normal health for both pension schemes was as follows

	<b>At 31 March 2008</b>		At 31 March 2007	
	<b>Men (years)</b>	<b>Women (years)</b>	Men (years)	Women (years)
Current pensioners	<b>23.0</b>	<b>26.2</b>	20.6	23.6
Future pensioners	<b>25.5</b>	<b>28.6</b>	22.7	25.6

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

	<b>At 31 March 2008</b>	At 31 March 2007
	<b>% per annum</b>	% per annum
Rate of increase in pension payments	<b>2.75</b>	2.75
Inflation assumption	<b>2.75</b>	2.75

b *2007-2008 Expenditure and income*

	<b>2007-2008 RH £000</b>	<b>2007-2008 MEPs £000</b>	<b>2007-2008 Total £000</b>	2006-2007 Total £000
<b>Expenditure</b>				
Current service costs (including employee contributions)	<b>1,597</b>	<b>1,588</b>	<b>3,185</b>	2,460
Interest on scheme liability	<b>3,948</b>	<b>1,400</b>	<b>5,348</b>	5,215
Total expenditure	<b>5,545</b>	<b>2,988</b>	<b>8,533</b>	7,675
<b>Income</b>				
<i>Pension contributions receivable</i>				
Employers' contributions	<b>987</b>	<b>0</b>	<b>987</b>	998
Employees' contributions	<b>139</b>	<b>488</b>	<b>627</b>	594
Total income	<b>1,126</b>	<b>488</b>	<b>1,614</b>	1,592
<b>Net expenditure</b>	<b>4,419</b>	<b>2,500</b>	<b>6,919</b>	6,083

c *Movement in liabilities during the year*

	2007-2008 RH £000	2007-2008 MEPs £000	2007-2008 Total £000	2006-2007 Total £000
Scheme liability at beginning of the year	(86,764)	(30,700)	(117,464)	(97,000)
Current service costs	(1,458)	(1,100)	(2,558)	(1,917)
Employee contributions	(139)	(488)	(627)	(543)
Transfers (in)/out	0	0	0	44
Benefit payments	3,497	1,095	4,592	3,756
Other finance charges – interest	(3,948)	(1,400)	(5,348)	(5,215)
<b>Total</b>	<b>(88,812)</b>	<b>(32,593)</b>	<b>(121,405)</b>	<b>(100,875)</b>
Actuarial gain/(loss)	3,116	1,600	4,716	(16,589)
Liability at end of year	<b>(85,696)</b>	<b>(30,993)</b>	<b>(116,689)</b>	<b>(117,464)</b>

The above movement in liabilities is based on the actuarial assessments at 31 March 2008.

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 Resource Account.

	2007-2008 RH £000	2007-2008 MEPs £000	2007-2008 Total £000	2006-2007 Total £000
Total pension paid	2,978	1,124	4,102	3,890
Commutation and lump sum benefits	519	211	730	361
Total pension benefits paid	3,497	1,335	4,832	4,251
Less: increase element of MEPs' pensions borne by the Civil Service Superannuation Resource Account	0	(240)	(240)	(190)
<b>Total borne by the Consolidated Fund</b>	<b>3,497</b>	<b>1,095</b>	<b>4,592</b>	<b>4,061</b>

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

	2007-2008 RH £000	2007-2008 MEPs £000	2007-2008 Total £000	2006-2007 Total £000
(Gains)/losses arising on scheme liabilities	1,273	0	1,273	213
Changes in assumptions underlying the present value of liabilities	(4,389)	(1,600)	(5,989)	16,376
<b>Total</b>	<b>(3,116)</b>	<b>(1,600)</b>	<b>(4,716)</b>	<b>16,589</b>

## 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. FRS 17 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 resource account. Payments from the Consolidated Fund in respect of this scheme in 2007-2008 amounted to £39.8 million (£38.8 million in 2006-2007).

**Pensions for Parliamentary Officers for political and civil services provided** – relate to pensions for former Prime Ministers, Speakers, Comptroller and Auditor Generals, Parliamentary Commissioners and Information Commissioners. In total, a sum of £534,000 was paid from the Consolidated Fund in 2007-2008 in respect of these pensions (£333,000 in 2006-2007). The actuarial liability falling on the Consolidated Fund, across all these schemes, has been assessed at £7.2 million at 31 March 2008 (£7.0 million at 31 March 2007).

**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. As there is no basis for accruing pension entitlement it is judged that they do not come within the scope of FRS 17 – *Retirement Benefits*. In total, a sum of £126,000 was paid from the Consolidated Fund in 2007-2008 in respect of these pensions (£121,000 in 2006-2007).

In all the cases above, the sums involved are not considered material by the Accounting Officer in the context of this account.

## 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 Resource Account (£38.811 million in 2007-2008 and £44.153 million in 2006-2007).

	<b>2007-2008</b>	2006-2007
	<b>£000</b>	£000
Coins issued	<b>132,801</b>	208,000
Coins redeemed	<b>(5,985)</b>	(8,357)
<b>Net income</b>	<b><u>126,816</u></b>	<u>199,643</u>

Amounts in this accruals based note differ to those in the receipts and payments notes (Notes 3 and 6) because of timing differences between i) cash being collected and surrendered to the Consolidated Fund and ii) the redemption of coins and the related payments from the Consolidated Fund.

## 10 Fixed asset investments

### a *European Investment Bank*

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

The UK's interest in the EIB is a fixed asset 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 is to further the objectives of the European Union by making long-term finance available for investment projects.

The UK's investment in the EIB, based on its 16.17 per cent share of subscribed capital, was worth €5,585,346,000 at 31 March 2008 (16.17 per cent, worth €5,283,918,000 at 31 March 2007). The investment is revalued each year at the UK's share of the net assets of the Bank as reported in the Bank's accounts to 31 December of the previous year translated at the euro/sterling exchange rate at 31st March. No new cash was invested in 2007-2008 or in 2006-2007.

	<b>2007-2008</b>	2006-2007
	<b>£000</b>	£000
<b>European Investment Bank</b>		
<b>At 1 April</b>	<b>3,586,208</b>	3,420,218
Change due to exchange rate movements	<b>626,771</b>	(93,129)
Change due to increase in EIB net assets	<b>240,335</b>	259,119
<b>At 31 March</b>	<b><u>4,453,314</u></b>	<u>3,586,208</u>

### 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.

	<b>2007-2008</b>	2006-2007
	<b>£000</b>	£000
<b>Land Registry Public Dividend Capital</b>		
<b>At 1 April</b>	<b>61,545</b>	61,545
Additions	<b>0</b>	0
Disposals	<b>0</b>	0
<b>At 31 March</b>	<b><u>61,545</u></b>	<u>61,545</u>
<b>Total fixed asset investments at end of year</b>	<b><u>4,514,859</u></b>	<u>3,647,753</u>

## 11 Contingent liabilities

The normal convention is for contingent liabilities that would fall on the Consolidated Fund to be reported in the appropriate departmental resource account. However, some contingent liabilities have been identified that fall outside these arrangements, so they are reported here instead. These are as follows

	<b>At 31 March 2008</b>	At 31 March 2007
	<b>£m</b>	£m
EC Budget: Guarantees on borrowing and lending operations*	<b>2,220</b>	1,871
EC Budget: Member States contributions**	<b>400</b>	0
European Investment Bank: Callable capital subscription***	<b>20,184</b>	17,182
Value of UK coins in circulation	<b>3,834</b>	3,778

\* €2,785 million (as evaluated at 30 June 2007), converted to £ sterling at the exchange rate prevailing at 31 March 2008. The EC makes loans for Macro Financial assistance purposes and specific projects to members of the EU and Third Countries eg Bosnia-Herzegovina, Georgia and Serbia and Montenegro. The loans are guaranteed by the EC Budget and the liability would crystallise if these loans were defaulted on.

\*\* Changes to the system by which Member States finance the annual EC Budget are set out in a document known as the Own Resources Decision (ORD) which was agreed in June 2007. These changes will impact on the regular monthly UK contributions to the EC Budget which are paid from the Consolidated Fund but there will, in addition, be a one-off effect on the Consolidated Fund to cover the retrospective effect of some changes. These changes, including the extra cost, will only come into effect once all member states ratify the ORD. The cost of this one-off element will depend upon how quickly the ratification is done by all the other member states. On the assumption that this process has been completed by the end of June 2009 it could be to the order of £630 million of which, some £400 million would be calculated by reference to the period to 31 March 2008.

\*\*\* The UK is liable for €25,316 million (as at 31 December 2007) of callable capital to the EIB. 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 towards those who have made loans to it. In the current environment, it is unlikely that Member States will be called upon to pay the remaining capital.

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