

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

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## Consolidated Fund Account 2005-2006

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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 on 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 the central government's current account, whereas the NLF can be regarded as the central government's main borrowing and lending account.

### 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 of the CF are mainly for

- supply services, which are issues to finance expenditure voted annually by Parliament on the basis of the Estimates submitted to it by the Government;
- standing services, which are charges exempt from any need to be voted annually by Parliament because it has by statute permanently authorised the payments; and
- issues to the Contingencies Fund.

### Summary of Outturn for 2005-2006

The Account shows the transactions described above. From 2005-2006 onwards both payments and receipts are inflated by advances to HMRC to cover daily revenue shortfalls. If this factor and transactions with the Contingencies Fund are excluded, underlying receipts increased by 7.2% from £313.3 billion to £336.0 billion, whilst underlying payments increased by 8.9% from £334.3 billion to £363.9 billion. In addition the payments made by the CF to meet the NLF's net interest payments increased from £17.0 billion to £18.3 billion. As a result, the net deficit on the CF, which was financed by transfers from the NLF, rose from £37.9 billion to £46.2 billion.

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

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

### **Audit**

The Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Consolidated Fund's auditors are aware of that information. So far as he is 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.

*Nicholas Macpherson*  
Accounting Officer  
HM Treasury

27 September 2006

## 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 Department 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 Management Commentary, Notes 7-11 to 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 its Permanent Secretary as Accounting Officer for the Fund, with overall responsibility for its operation, for preparing the annual account and for transmitting it to the Comptroller and Auditor General.

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 'Government Accounting'.

# 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 departmental policies, aims and objectives, set by the Treasury's Ministers, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in 'Government Accounting'. 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 purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on a process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and their impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ending 31 March 2006 and up to the date of the approval of the annual account, and accords with Treasury guidance. Within this overall departmental framework, the additional controls in place for the management of the Consolidated Fund are set out below.

## Capacity to handle risk

The management of the Consolidated Fund and the supporting processes is based on a risk management strategy and clear segregation of duties within the Treasury.

Staff in Exchequer Funds and Accounts with responsibilities relating to the Consolidated Fund are trained in a way appropriate to their responsibilities. Those involved in managing financial and other risks have their objectives set accordingly, including responsibility for relevant aspects of the control framework. Policy and procedures manuals as well as job instructions are maintained to ensure these staff carry out their work in a manner consistent with their responsibilities.

## The risk and control framework

The key risks in managing the Consolidated Fund are

- incorrect accounting and irregularity of transactions;
- failure of IT systems;
- failure to provide an effective service in adverse circumstances, including disaster situations; and
- failure of principal counter-parties to provide agreed services.

## Controls in 2005-2006

Existing internal controls to mitigate risks to the Consolidated Fund include

- separation of duties among staff involved in the payments process to reduce the risk of fraudulent payments;
- authorisation processes that require dual approval of payment instructions issued to the Bank of England;

- computer-generated payment instructions derived from underlying transaction records, to minimise the risk of keying errors;
- the authorisation of all payments from the Consolidated Fund by the National Audit Office, as required by statute;
- the training of staff to do a range of jobs and to swap jobs periodically to keep their knowledge up to date, to improve resilience in key areas;
- well developed Service Level Agreements (or similar understandings) with all principal counter-parties, covering financial relationships and requirements and standards for the interchange of information. These are reviewed regularly;
- an internal audit programme that includes reviews of the operations of the Consolidated Fund;
- the implementation of a new computer system that incorporates more robust security features, with processes that improve resilience;
- a review by Treasury Internal Audit, supported by external consultants, of the application controls relating to the new computer system;
- reviews of key risks and assessment of their business impact;
- the maintenance of a Risk Register for operations relating to the Consolidated Fund;
- business continuity plans, involving fully operational off-site back-up facilities, that are reviewed and tested periodically;
- the establishment, with the NAO, of other measures that would allow essential payments business to continue in the event of the normal arrangements for granting credit being disrupted, including a joint test with the NAO at the Treasury's back-up site;
- the consolidation of the separate business continuity plans of each branch of the Exchequer Funds and Accounts Team into a single Team Plan and the development of further business continuity arrangements within the framework of the Treasury's corporate Business Continuity Plan facilities; and
- the conduct of a risk awareness workshop for staff working on the Consolidated Fund.

## Plans for 2006-2007

In addition to the controls mentioned above, in the coming year I have plans for

- incorporating the improvements recommended by Treasury Internal Audit following their review of the application controls relating to the new computer system;
- further development of business continuity plans, including reviewing inter-connections between principal business counter-parties;
- further focus on enhancing risk awareness within the team through risk workshops, seminars and training; and
- a joint test with the NAO at the back-up site simulating a complete loss of all computer systems.

A member of EFA staff has already attended the second annual Business Continuity in the Public Sector event in April 2006 (to build on the certificate awarded to him in 2005 by APM Group (OGC) for demonstrating knowledge of the Management of Risk at Practitioner level).

### 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 the internal auditors and the executive managers within the Department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letters and other reports. I have been advised on the implications of the system of internal control by Exchequer Funds and Accounts officials and a plan to address continuous improvement of the system is in place.

*Nicholas Macpherson*  
Accounting Officer  
HM Treasury

27 September 2006

# 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 2006 under the National Loans Act 1968. These comprise the Account for Receipts and Payments, the related notes and the accruals based disclosures in relation to certain statutory pension arrangements, coinage issued and redeemed, fixed asset investments and contingent liabilities as shown 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 the preparation of financial statements in such form as HM Treasury may prescribe. The Accounting Officer is also responsible for ensuring the regularity of financial transactions and the preparation of the Foreword and the Statement on Internal Control. 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 give a true and fair view of the accruals based disclosures, and whether the financial statements have been properly prepared in the form prescribed by HM Treasury. I also report whether in all material respects the financial transactions of the Consolidated Fund conform to the authorities which govern them.

I also report to you, if in my opinion, the Foreword is not consistent with the financial statements, 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 information specified by relevant authorities is not disclosed.

I review whether the statement on pages 5 to 7 reflects the Consolidated Fund's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of HM Treasury's corporate governance procedures or its risk and control procedures.

I read the other 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 of 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 conform with the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In my opinion

- the financial statements properly present, in accordance with the National Loans Act 1968 and in the form prescribed by HM Treasury, the receipts and payments of the Consolidated Fund for the year ended 31 March 2006 and give a true and fair view of the accruals based disclosures of the financial positions in relation to certain statutory pension arrangements, coinage issued and redeemed, fixed asset investments and contingent liabilities as at 31 March 2006;
- the financial statements have been properly prepared in accordance with the National Loans Act 1968 and in the form prescribed by HM Treasury; and
- in all material respects, the financial transactions of the Consolidated Fund conform to the authorities which govern them.

I have no observations to make on these financial statements.

*John Bourn*  
Comptroller and Auditor General  
3 October 2006

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## Receipts and Payments in the year ended 31 March 2006

	Notes	<b>2005-2006</b> £million	2004-2005 £million
<b>Receipts</b>			
<b>Tax revenue</b>			
HMRC	2	<b>304,325</b>	279,900
Vehicle excise duty	2	<b>5,002</b>	4,751
National non-domestic rates	2, 3b	<b>18,660</b>	16,000
		<b>327,987</b>	300,651
<b>Other receipts</b>			
Repayments from the Contingencies Fund		<b>5,000</b>	1,500
Miscellaneous	3a	<b>12,817</b>	12,673
Deficit met from the National Loans Fund		<b>46,200</b>	37,913
<b>Total receipts</b>		<b>392,004</b>	352,737
<b>Payments</b>			
<b>Supply services</b>			
<b>Standing services</b>			
Payments to the National Loans Fund for net interest payments	4	<b>355,429</b>	325,543
Payments to the European Communities	5	<b>18,323</b>	16,966
Other standing services	6	<b>8,139</b>	8,461
		<b>5,113</b>	267
Issues to the Contingencies Fund		<b>387,004</b>	351,237
<b>Total payments</b>		<b>5,000</b>	1,500
		<b>392,004</b>	352,737

*The notes on pages 11 to 19 form part of this account.*

*Nicholas Macpherson*  
Accounting Officer  
HM Treasury

27 September 2006

# Notes to the Account

## 1 Statement of accounting policies

These accounts are prepared under section 21(1) of the National Loans Act 1968 and are prepared on a cash basis.

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 for Members of the European Parliament, pensions for Royal Household employees who entered employment before 31 March 2001, pensions for Parliamentary Officers for political and civil services provided, Civil List pensions and the UK's capital subscription to the European Investment Bank. 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. Receipts collected by Inland Revenue and Customs and Excise are now presented as receipts of the merged department, Her Majesty's Revenue and 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 £4.8 billion was advanced from the CF for this purpose in 2005-2006. As such advances do not have to be repaid, the sums paid into the CF as revenue by HMRC in 2005-2006 were £4.8 billion higher than they would have been under the arrangements that operated previously.

## 3a Miscellaneous receipts

	<b>2005-2006</b> £000	2004-2005 £000
Receipts from Estimates credited to the Consolidated Fund	<b>11,324,922</b>	11,389,746
United Kingdom coinage (Note 9)	<b>190,000</b>	181,000
Crown Estate surplus revenue	<b>190,300</b>	183,400
Over-issues of supply repaid	<b>762,671</b>	396,927
National Savings Bank Ordinary Account contribution for management expenses	<b>19,181</b>	54,000
Share of surplus accrued from securities for National Savings Bank	<b>34,995</b>	53,625
Crown's share of the Crown's Nominee Fund	<b>0</b>	15,500
Land Registry – dividend on public dividend capital	<b>12,793</b>	22,847
Insolvency Service – unclaimed dividends	<b>4,031</b>	32,958
OFGEM revenue	<b>150,000</b>	60,000
Broadcasting: additional receipts and penalties	<b>63,852</b>	262,007
Miscellaneous	<b>64,242</b>	20,446
<b>Total</b>	<b>12,816,987</b>	12,672,456

**3b Additional amounts paid over but not credited to the Consolidated Fund in cash**

	<b>2005-2006</b> £000	2004-2005 £000
Receipts from estimates	<b>771,252</b>	0
Receipts subsequently repaid	259	0
Over-issues of Supply repaid	1,158	0
Crown's share of the Crown's Nominee Fund	17,000	0
Broadcasting: additional receipts and penalties	4,063	0
Miscellaneous	29	0
Sub-total	<b>793,761</b>	0
National Non-Domestic rates	<b>302,519</b>	0
<b>Total credited in cash to Consolidated Fund in April 2006</b>	<b>1,096,280</b>	0

**4 Analysis of supply services***a Supply Services and repayments*

	<b>2005-2006</b> £000	2004-2005 £000
Supply issues		
For current year	<b>353,736,491</b>	325,046,455
For previous years	<b>1,692,219</b>	496,212
	<b>355,428,710</b>	325,542,667
Prior year over-issues surrendered in cash (Note 3)	<b>(762,671)</b>	(396,927)
Net supply services	<b>354,666,039</b>	325,145,740

*b Analysis of supply services*

		<b>2005-2006</b> £000	2004-2005 £000	2003-2004 £000
Cash supply granted by Parliament		<b>364,872,412</b>	339,832,025	321,844,525
Total NCR outturns reported by departments		<b>n.a.</b>	325,372,575	313,849,268
Surplus not required		<b>n.a.</b>	14,459,450	7,995,257
Financing in year				
2003-2004	Issues made in year	<b>0</b>	0	312,946,256
	Prior year issues applied to a subsequent year	<b>0</b>	0	1,738,564
2004-2005	Issues made in year	<b>0</b>	325,046,455	496,212
	Prior year issues applied to a subsequent year	<b>0</b>	934,837	(934,837)
	Prior year over-issues surrendered in cash	<b>0</b>	0	(396,927)
	Current year over-issues surrendered in cash	<b>0</b>	<sup>1</sup> (428)	0
2005-2006	Issues made in year	<b>353,736,491</b>	1,692,219	0
	Prior year issues applied to a subsequent year	<b>1,532,256</b>	(1,532,256)	0
	Prior year over-issues surrendered in cash	<b>n.a.</b>	(762,671)	0
2006-2007	Prior year over-issues to be surrendered in cash	<b>0</b>	<sup>2</sup> (5,221)	0
	Prior year issues to be applied to a subsequent year	<b>360</b>	<sup>3</sup> (360)	0
<b>Total</b>		<b>n.a.</b>	<b>325,372,575</b>	<b>313,849,268</b>

n.a. Figures not available during 2005-2006. Figures will depend on audited resource accounts and the subsequent settlement activities to reconcile departments' positions with the Consolidated Fund.

1 This sum was repaid prematurely to the Consolidated Fund in 2004-2005 and was originally incorrectly classified as a Consolidated Fund Extra Receipt.

2 These repayments by departments had not been credited to the Consolidated Fund by 31 March 2006.

3 This sum had not been paid by 31 March 2006, but was subsequently deemed to have been repaid via an adjustment against a department's Net Cash Requirement provision for 2006-2007.

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

Member States' contributions to the European Community Budget 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 in 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 Product. Revisions to a Member State's contributions for a given year may therefore be made for several years. The amount included in the note as expenditure comprises 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 Community Budget to be financed by own resources consisting of

- i customs duties, including those on agricultural products;
- ii sugar levies;
- iii VAT, which is the application of a uniform rate, not exceeding 1 per cent, to a harmonised expenditure base, which must not exceed 0.5% of GNP of any Member State; and
- iv a 'fourth' resource based on Member States' shares in Community GNP. The rate of this GNP 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 66% of the difference in the previous year between what the UK would have paid if the Community Budget 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.

Member States' budget contributions are subject to revision over several years, particularly as revised estimates of GNP and VAT become available.

	2005-2006		2004-2005
	Contribution for year ended 31 March 2006	Adjustment of prior years' contributions	Total
	£000	£000	£000
Customs duties	1,716,041	0	1,716,041
Sugar levies	23,538	0	23,538
VAT contribution (before abatement)	1,944,672	19,074	1,963,746
Fourth resource contributions	7,941,442	135,216	8,076,658
	11,625,693	154,290	11,779,983
Less: UK abatement	(3,725,103)	83,819	(3,641,284)
	7,900,590	238,109	8,138,699
			8,460,725

In addition to annual contributions to the Budget of the European Communities, the Consolidated Fund also bears the cost of capital subscriptions to fund the European Investment Bank. These are detailed at Note 10.

## 6 Other Consolidated Fund standing services payments

	2005-2006	2004-2005	
	Notes	£000	£000
<b>Civil List, annuities and pensions</b>			
Civil List payments		<b>7,900</b>	7,900
Annuities to the Royal Family		<b>977</b>	1,035
Civil List annuities		<b>636</b>	636
Royal Household Pensions Scheme	7d	<b>3,211</b>	2,934
Pensions, etc for Judicial Services		<b>36,147</b>	34,092
Other pensions	7d, 8	<b>1,558</b>	2,326
<b>Salaries and allowances</b>			
Courts of Justice		<b>133,224</b>	127,635
Members of the European Parliament		<b>5,084</b>	5,091
Other		<b>1,288</b>	1,266
<b>Miscellaneous services</b>			
Election and referendum expenses		<b>83,391</b>	68,420
Advances to HMRC in support of revenue		<b>4,772,000</b>	0
Royal Mint		<b>7,523</b>	8,348
Miscellaneous refunds		<b>60,322</b>	6,198
Other		<b>14</b>	1,018
<b>Total</b>		<b>5,113,275</b>	266,899

## 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, 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 and 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 an assumed long-term real rate of return expected to be earned on long-dated index-linked gilts. The rate is determined by the Government Actuary's Department and is subject to review.

### a Actuarial assessment assumptions

A full actuarial assessment was carried out for both schemes as at 31 March 2006 by the Government Actuary's Department. The major assumptions used by the actuary were

	At 31 March 2006	At 31 March 2005
	%	%
Rate of increase in salaries	<b>4.0</b>	4.0
Rate of increase in pension payments (RHPS)	<b>2.5</b>	2.5
Discount rate	<b>5.4</b>	6.1
Inflation assumption	<b>2.5</b>	2.5

*b 2005-2006 Expenditure and income*

	2005-2006 RH £000	2005-2006 MEPs £000	2005-2006 Total £000	2004-2005 Total £000
<b>Expenditure</b>				
Current service costs	1,400	1,300	2,700	2,500
Past service costs	0	0	0	(150)
Interest on scheme liability	3,800	1,400	5,200	4,440
Total expenditure	5,200	2,700	7,900	6,790

**Income***Pension contributions receivable*

	2005-2006 RH £000	2005-2006 MEPs £000	2005-2006 Total £000	2004-2005 Total £000
Employers (ASLCs)	1,091	0	1,091	899
Employees (WPS contributions)	145	462	607	589
Total income	1,236	462	1,698	1,488
<b>Net expenditure</b>	<b>3,964</b>	<b>2,238</b>	<b>6,202</b>	<b>5,302</b>

*c Movement in liabilities during the year*

	2005-2006 RH £000	2005-2006 MEPs £000	2005-2006 Total £000	2004-2005 Total £000
Liability in scheme at beginning of the year	(63,400)	(24,020)	(87,420)	(73,740)
Overnight increase in liabilities	(7,300)	(2,680)	(9,980)	0
Current service cost	(1,400)	(1,300)	(2,700)	(2,500)
Transfers in/out	100	0	100	0
Benefit payments	3,100	1,100	4,200	3,750
Past service cost	0	0	0	150
Other finance charges – interest	(3,800)	(1,400)	(5,200)	(4,440)
Total	(72,700)	(28,300)	(101,000)	(76,780)
Actuarial gain/loss	1,100	500	1,600	(10,640)
Liability at end of year	(71,600)	(27,800)	(99,400)	(87,420)

The full actuarial assessment for the RH Pensions Scheme showed an increase in pension liabilities from £63,400,000 to £71,600,000.

The full actuarial assessment for the European Parliament (UK Representatives) Pensions Scheme showed an increase in pension liabilities from £24,020,000 to £27,800,000.

*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.

	2005-2006 RH £000	2005-2006 MEPs £000	2005-2006 Total £000	2004-2005 Total £000
Total pension paid	2,746	955	3,701	3,480
Commutation and lump sum benefits	465	310	775	668
Resettlement grants	0	0	0	729
Total pension benefits paid	3,211	1,265	4,476	4,877
<i>Less:</i> increase element of MEPs' pensions borne by the Civil Superannuation Resource Account	0	(152)	(152)	(124)
<b>Total borne by the Consolidated Fund</b>	<b>3,211</b>	<b>1,113</b>	<b>4,324</b>	<b>4,753</b>

e Analysis of actuarial loss on unfunded pension schemes

	2005-2006 RH £000	2005-2006 MEPs £000	2005-2006 Total £000	2004-2005 Total £000
(Gains)/losses arising on scheme liabilities	(1,400)	0	(1,400)	1,660
Changes in assumptions underlying the present value of liabilities	300	(500)	(200)	8,980
<b>Total</b>	<b>(1,100)</b>	<b>(500)</b>	<b>(1,600)</b>	<b>10,640</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 higher 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 in respect of higher judicial services** – Liabilities in respect of this scheme are included in the Judicial Pensions Scheme resource account.

**Pensions for Parliamentary Officers for political and civil services provided** – relate to pensions for former Prime Ministers, Speakers, Comptroller and Auditor Generals and Parliamentary Commissioners. In total, a sum of £333,000 was paid from the Consolidated Fund in 2005-2006 in respect of these pensions (£379,000 in 2004-2005). The actuarial liability falling on the Consolidated Fund, across all these schemes, has been assessed at £6.7 million at 31 March 2006 (£6.5 million at 31 March 2005).

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 all the cases above, the sums involved are not material 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 (£32.927 million in 2005-2006 and £34.343 million in 2004-2005).

	2005-2006 £000	2004-2005 £000
Coin issued	<b>190,000</b>	181,000
Coin redeemed	<b>(7,943)*</b>	(9,586)*
<b>Net income</b>	<b>182,057</b>	<b>171,414</b>

\* This differs from the amount paid to the Royal Mint shown in Note 6 because of timing differences between 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, to be made from the Consolidated Fund.

The UK's interest in the European Investment Bank is a fixed asset investment. The Bank'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 16.28% share of subscribed capital, was worth €4,902,133,000 at 31 March 2006 (16.28% worth €4,676,024,000 at 31 March 2005). 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.

	2005-2006 £000	2004-2005 £000
<b>European Investment Bank</b>		
At 1 April	<b>3,215,234</b>	2,949,858
Change	<b>204,984</b>	265,376
At 31 March	<b>3,420,218</b>	3,215,234

### 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. This asset of the CF is included here as it not reported elsewhere.

	2005-2006 £000	2004-2005 £000
<b>Land Registry Public Dividend Capital</b>		
Balance at 1 April	<b>61,545</b>	61,545
Additions	<b>0</b>	0
Disposals	<b>0</b>	0
<b>Balance at end of year</b>	<b>61,545</b>	61,545
<b>Total fixed asset investments at end of year</b>	<b>3,481,763</b>	3,276,779

## 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

	At 31 March 2006 £m	At 31 March 2005 £m
EC Budget: Guarantees on borrowing and lending operations	<b>1,964.6+</b>	1,890.9*
EC Budget: Emergency Aid Reserve	<b>27.5</b>	27.2
European Investment Bank: Callable capital subscription	<b>17,663.0</b>	17,407.3
UK coinage	<b>3,646.8</b>	3,533.7
+ €2,816 million (as evaluated at June 2005), converted to £ sterling at the exchange rate prevailing at 31 March 2006.		
* €2,750 million (as evaluated at June 2004), converted to £ sterling at the exchange rate prevailing at 31 March 2005.		

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