

Return to an Order of the Honourable, The House of Commons, dated 22 July 2010 Accounts of the Contingencies Fund, 2009-2010, showing (1) a Statement of Financial Position, (2) a Statement of Cash Flows and (3) Notes to the Accounts; together with the Certificate and Report of the Comptroller and Auditor General thereon.

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## Contingencies Fund Account 2009-2010



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# Contingencies Fund Account 2009-2010

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 22 JULY 2010

Treasury Chambers } Mark Hoban  
22 July 2010

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

The Comptroller and Auditor General,  
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He and the National Audit Office  
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He certifies the accounts of all Government  
departments and a wide range of other public  
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to report to Parliament on the economy, efficiency  
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## Foreword

### Scope of the Accounts

The Contingencies Fund is used to finance payments for urgent services in anticipation of Parliamentary provision for those services becoming available, and to provide funds required temporarily by government departments for necessary working balances, or to meet other temporary cash deficiencies.

HM Treasury (the Treasury) controls access to the Contingencies Fund to ensure that issues are appropriate and consistent with the requirements set out in "Managing Public Money" and "Supply Estimates: A Guidance Manual". All advances from the Contingencies Fund must be repaid. In the case of advances in support of voted expenditure, Parliamentary authority is needed to enable sums advanced to departments to be repaid to the Contingencies Fund. Wherever possible and required, Parliament is made aware of the intention to use the Contingencies Fund and incur associated resources through a written Ministerial Statement made in advance of any issues being made.

Where practical, sums due to the Contingencies Fund are recovered within the same financial year. Generally, repayments of advances for voted services are provided for either in Supplementary Estimates of the same year, or, if this is not possible, in the Estimates of the following year. No interest is payable by departments on advances made from the Contingencies Fund.

### Advances in 2009-2010

In 2009-2010 the Contingencies Fund advanced £310.5 million to government departments (2008-2009: £10,964.1 million). The allocation of advances is detailed in Note 5 to the account. Advances paid from the Contingencies Fund have decreased by £10.7 billion from 2008-2009. £8.4 billion of the decrease is due to advances, which were made to the Treasury in 2008-2009 in respect of its interventions in the banking sector. Details of the Treasury's activities in connection with these interventions were published in its Annual Report and Accounts for 2008-2009. During 2008-2009, two other significant advances were made pending passage of the Consolidated Fund (Appropriation) Act. These were to the Department for Transport of £1.5 billion and £0.6 billion to the Ministry of Defence. Both of these advances were to assist the cash flow of the departments in connection with their normal activities. Neither department received an advance from the Contingencies Fund in 2009-2010. During 2009-2010, no department received an advance greater than £0.1 billion.

### The Capital of the Contingencies Fund

The permanent capital of the Contingencies Fund was increased to £1,500,000 by section 52 of the Finance Act 1921. Section 3 of the Miscellaneous Financial Provisions Act 1946, as amended by the Contingencies Fund Act 1974, provides that the capital of the Contingencies Fund, including the permanent capital, may be increased as necessary up to an amount equal to 2 per cent of the authorised supply expenditure for the year ending on the previous 31 March. Authorised supply expenditure is defined as the total of the sums which Acts passed before the end of the year have authorised the Treasury to issue out of the Consolidated Fund for supply services for that year.

The total cash supply expenditure authorised for 2008-2009 was £516,448,723,000 and accordingly the maximum capital available to the Contingencies Fund at any one time in 2009-2010 was £10,328,974,000.

The claims on the Contingencies Fund are kept regularly under review to ensure that issues are within the statutory limit for the capital of the Contingencies Fund. No interest is payable on capital issued to the Contingencies Fund from the Consolidated Fund.

## Accounts and Audit

Under the Treasury Minute of 13 May 1862 the Treasury is required to prepare accounts for each financial year in such form as it may direct. In accordance with the Direction issued on 17 March 2010, the Contingencies Fund's accounts for 2009-2010 have been prepared in accordance with the requirements of the relevant version of the Government Financial Reporting Manual (FReM), with the exception of the Statement of Cash Flows, which shows only receipts and payments. As the Contingencies Fund does not receive any income, nor does it incur any expenditure, no Operating Cost Statement is presented as part of the accounts.

The financial statements for the year ended 31 March 2010 are the first Contingencies Fund financial statements to be prepared in accordance with International Financial Reporting Standards (IFRS), which have now been incorporated into the FReM. Prior financial statements up to 31 March 2009 have been prepared in accordance with UK Generally Accepted Accounting Principles (UK GAAP).

The transition to IFRS has not affected the accounting policies, reported financial position or the statement of cash flows of the Contingencies Fund.

Under the Treasury Minute of 13 May 1862 the accounts are audited by the Comptroller and Auditor General.

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 Contingencies Fund's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the Contingencies Fund's auditors are unaware.

*Andrew Hudson*  
Accounting Officer  
HM Treasury

24 June 2010

## Statement of Accounting Officer's responsibilities

Under the Treasury Minute of 13 May 1862, the Treasury is required to prepare accounts for each financial year in the form prescribed by the department. In accordance with the Direction issued on 17 March 2010, the accounts of the Contingencies Fund are to be prepared in accordance with the requirements of the relevant version of the Government Financial Reporting Manual (FRM), except for the Statement of Cash Flows, which shall show only receipts and payments, and must give a true and fair view of the state of affairs of the Contingencies Fund and of its cash flows for the financial year.

The Accounting Officer of the Contingencies Fund has overall responsibility for the operation of the Contingencies Fund, for preparing the annual accounts and for transmitting them to the Comptroller and Auditor General for audit. Andrew Hudson, Managing Director, Public Services and Growth was the Accounting Officer of the Contingencies Fund throughout the year.

In preparing the accounts, the Accounting Officer is required to observe the relevant accounting and disclosure requirements 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 Contingencies Fund, I have responsibility for maintaining a sound system of internal control to support the achievement of the Contingencies 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 Contingencies Fund is managed generally within the framework of the Treasury's system of internal control. This framework includes resourcing the administration of the Contingencies Fund, security and the management of risks across the Treasury's business. In addition, there are further controls that are specific to the management of the Contingencies Fund, as detailed below.

The Estimates Clerk, with authority delegated by the Accounting Officer, or staff with authority delegated by the Estimates Clerk in the Treasury's Government Estimates, Accounts and Reporting (GEAR) Team authorise advances from the Contingencies Fund, and the Treasury's Exchequer Funds and Accounts (EFA) Team administer the account.

Once an advance has been made it is the responsibility of the receiving department to ensure that the cash is used only for the purpose(s) for which it was advanced and to make repayment at the earliest opportunity (though the Treasury will follow up outstanding repayments as necessary).

## The purpose of the system of internal control

The system of internal control is designed to manage risk to an acceptable level, balancing the impact of potential risks with the resources required to manage them, rather than eliminate all risk. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Contingencies 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 2010 and up to the date of approval of these financial statements, and accords with Treasury guidance.

## Capacity to handle risk

There are sufficient experienced staff in both the GEAR and the EFA teams with an appropriate range and breadth of knowledge to manage the Contingencies Fund, covering for absences as necessary. Key operational staff with responsibilities relating to the Contingencies Fund are trained and equipped to manage risk in a way appropriate to their authority and duties. Training on risk management is provided as required, either by management or by attending appropriate courses. Guidance on risk management is available to all staff on the intranet and individuals' objectives reflect the need to manage risks. Business continuity resilience is regularly tested locally and with business partners, and lessons learned feed into improved business continuity processes.

Detailed guidance on the purpose and procedures relating to the Contingencies Fund, including advice on processes when dealing with the Contingencies Fund, is set out in 'Managing Public Money' and 'Supply Estimates: A Guidance Manual'. This guidance is reviewed and updated as necessary.

## The risk and control framework

Risk management is key to all Contingencies Fund processes, including business continuity resilience planning for public funds. The risk management strategy includes periodic horizon scanning to identify any changes in risk exposure, to evaluate the change and to identify appropriate mitigating actions. Significant risk issues are recorded in a risk register and are assessed by likelihood and impact. A risk owner is assigned to each risk. The risk register is regularly reviewed by EFA management.

There have been no significant changes in the risk or control environment during the year.

The key risks for the Contingencies Fund are

- breach of the Contingencies Fund capital limit (imposed by statute and set at 2 per cent of the previous year's approved cash supply);
- 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.

EFA and GEAR have various controls in place for managing risks associated with the Contingencies Fund. Clear separation of duties is enforced by different teams within the Treasury carrying out the authorisation, approval and payment of Contingencies Fund advances. A robust payment authorisation process is in place, with appropriate user permissions. Prior to the authorisation of payments, the destination and purpose of the advance, and any changes thereto, are double-checked. Up-to-date policy and procedures manuals, including job instructions, are maintained to ensure that key operational staff with responsibilities relating to the Contingencies Fund carry out their responsibilities in a controlled manner. In addition, there is an established process for consideration of requests for use of the Contingencies Fund, whereby departments seeking advances from the Contingencies Fund are required to comply with procedures set out in 'Managing Public Money' and 'Supply Estimates: A Guidance Manual'. Data and information risk are managed in accordance with HMT's policies, which involve a range of controls to prevent unauthorised disclosures. These include encryption, and physical and IT security. EFA's own Data Handling Policy identifies risks specific to EFA. This policy is reviewed on a six-monthly basis or as required. Also, a monthly report on the activity of the Contingencies Fund is produced. This is reviewed by the Treasury Accountant, and is provided to me. Business continuity arrangements are regularly reviewed and tested within the framework of the Treasury's corporate Business Continuity Plan facilities. The Contingencies Fund's operations were not affected by the severe winter weather.

During the year, audit committee arrangements for the HM Treasury group were revised. Responsibility for supporting me as Accounting Officer in matters relating to governance, internal control and risk management processes lay with the Exchequer Funds Audit Committee until 31 December 2009, and with the Treasury Audit Committee from 1 January 2010.

The membership of the Exchequer Funds Audit Committee during the period was

- Colin Price, Committee Chair, non-executive Director of the UK Debt Management Office Managing Board and formerly Global Pension Fund Adviser/Finance Director at Shell Pensions Management Services Limited;
- Brian Larkman, non-executive Director of the UK Debt Management Office Managing Board and formerly Global Head of Money Markets at the Royal Bank of Scotland plc; and
- Mark Clarke, formerly Director General (Finance and Strategy) at the Department for Business, Enterprise and Regulatory Reform.

The Exchequer Funds Audit Committee met three times during 2009-2010.

From 1 January 2010, the Treasury Audit Committee has been tasked with supporting the Permanent Secretary and the Treasury Additional Accounting Officers in their responsibilities for managing risk, internal control and governance related to the

- Treasury Group's Resource Account;
- Consolidated Fund;
- Contingencies Fund;

- National Loans Fund; and
- Exchange Equalisation Account.

The Permanent Secretary appoints members of the Committee for periods of up to three years, extendable by no more than one additional three-year period. The Chair of the Committee, Michael O'Higgins, reports directly to the Permanent Secretary.

The membership of the Treasury Audit Committee since 1 January 2010 is

- Michael O'Higgins, Committee Chair, independent member of the Treasury Board;
- Mike Ashley, Head of Risk and Compliance for KPMG Europe LLP and member of their Board;
- Zenna Atkins, Chairman of Ofsted; Executive Director of Social Solutions Limited, independent member of the Royal Navy Board and Chair of their Audit Committee, Chairman of Places for People Group Limited and independent member of the South East of England Development Agency;
- Janet Baker; Non-executive Director, Healthcare Purchasing Consortium and formerly a Senior Partner at PA Consulting;
- Brad Fried, Managing Partner, Grovepoint Capital LLP, Non-executive Director of the Group Board of Investec Bank plc and formerly Chief Executive Officer of Investec plc<sup>1</sup>; and
- Avinash Persaud, Emeritus Professor of Gresham College, Chairman, Intelligence Capital Limited, Chairman of the Warwick Commission on Financial Reform and Member of the UN Commission on International Financial Reform.

The Treasury Audit Committee has a robust Conflicts of Interest Policy, which requires members to excuse themselves from discussions where potential conflicts may occur. Members are required to inform the Permanent Secretary about any potential conflicts and highlight these at the start of each meeting as appropriate.

In addition to the independent members, the appropriate Accounting Officers, HM Treasury's Group Director of Finance, Director of Corporate Services, the Chief Executives of the Office of Government Commerce, the Debt Management Office and the Treasury Accountant also attend Committee meetings as required. Before each meeting members have the opportunity for a pre-committee discussion with the National Audit Office, Group Head of Internal Audit and Head of Internal Audit for the Exchequer Funds.

The Treasury Audit Committee met twice between 1 January and 31 March.

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<sup>1</sup> Brad Fried stepped down as Chief Executive Officer of Investec plc in February 2010 and became a Non-executive Director of the Group Board of Investec plc in April 2010.

## Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of Exchequer Funds Internal Audit, who provided positive assurance as to the management and control of the Contingencies Fund in 2009-2010, 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 latterly by the Treasury Audit Committee, and risk owners in addressing weaknesses and ensuring continuous improvement of the system is in place.

The Treasury Audit Committee considered the 2009-2010 accounts in draft and provided me with its views before I formally signed the accounts. In my opinion the system of internal control was effective with no significant control issues identified in 2009-2010.

*Andrew Hudson*  
Accounting Officer  
HM Treasury

24 June 2010

# 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 Contingencies Fund for the year ended 31 March 2010 under the Treasury Minute dated 13 May 1862. These comprise the Statement of Financial Position, the Statement of Cashflows and the related notes. These financial statements have been prepared under the accounting policies set out within them.

## Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the financial transactions of the Fund have been applied to the purposes intended by Parliament and conform to the authorities which govern them.

## Opinion on regularity

In my opinion, in all material respects the financial transactions of the Contingencies Fund have been applied to the purposes intended by Parliament and conform to the authorities which govern them.

## Opinion on Financial Statements

In my opinion

- the financial statements give a true and fair view, in accordance with the Treasury Minute dated 13 May 1862 and directions made by the Treasury, of the state of the Fund's affairs as at 31 March 2010 and of the cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Treasury Minute dated 13 May 1862 and Treasury directions issued thereunder.

## Opinion on other matters

In my opinion the information given in the Foreword, for the financial year for which the financial statements are prepared, is consistent with the financial statements.

**Matters on which I report by exception**

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with Treasury guidance.

**Report**

I have no observations to make on these financial statements.

*Amyas C E Morse*  
Comptroller and Auditor General

28 June 2010

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

## Statement of Financial Position as at 31 March 2010

	Note	31 March 2010 £m	31 March 2009 £m	At 1 April 2008 £m
<b>Assets</b>				
<b>Current Assets</b>				
Advances outstanding	4	0.1	0.0	9.7
Cash and cash equivalents	3	1.5	1.5	1.5
<b>Total assets</b>		<b>1.6</b>	1.5	11.2
<b>Liabilities</b>				
<b>Sums repayable to the Consolidated Fund</b>				
Current liabilities	4	0.1	0.0	9.7
Non-current liabilities	4	1.5	1.5	1.5
<b>Total liabilities</b>		<b>1.6</b>	1.5	11.2

The Contingencies Fund does not receive any income, nor does it incur any expenditure. Accordingly, no Operating Cost Statement is presented. There were no other gains or losses in the year (2008-2009: none).

*The notes on pages 13 to 19 form part of these accounts.*

Andrew Hudson  
Accounting Officer  
HM Treasury

24 June 2010

## Statement of Cash Flows

	Note	2009-2010 £m	2008-2009 £m
<b>Receipts</b>			
Issues from the Consolidated Fund		<b>1,000.0</b>	12,000.0
<i>Advances recovered from</i>			
Sundry Estimates voted by Parliament	5.1	<b>263.0</b>	10,970.8
Revenue Departments	5.2	<b>47.4</b>	3.0
		<b>310.4</b>	10,973.8
<b>Total Receipts</b>		<b>1,310.4</b>	22,973.8
<b>Payments</b>			
Repayments to the Consolidated Fund		<b>(999.9)</b>	(12,009.7)
<i>Advances recoverable from</i>			
Sundry Estimates voted by Parliament	5.1	<b>(263.1)</b>	(10,961.1)
Revenue Departments	5.2	<b>(47.4)</b>	(3.0)
		<b>(310.5)</b>	(10,964.1)
<b>Total Payments</b>		<b>(1,310.4)</b>	22,973.8
<b>Surplus of receipts over payments for the financial year</b>		<b>0</b>	0

*The notes on pages 13 to 19 form part of these accounts.*

# Notes to the Accounts

## 1 Accounting policies

### 1.1 Basis of preparation

The financial statements of the Contingencies Fund have been prepared in accordance with a Direction given by HM Treasury, and the requirements of the 2009-2010 Government Financial Reporting Manual (FReM), with the exception of the statement of cash flows, which shows receipts and payments only. The current version of the FReM is based on International Financial Reporting Standards (IFRS).

The financial statements for the year ended 31 March 2010 are the first Contingencies Fund financial statements to be prepared in accordance with International Financial Reporting Standards, which have now been incorporated into the FReM. Prior financial statements up to 31 March 2009 have been prepared in accordance with UK Generally Accepted Accounting Principles (UK GAAP). IFRS 1, First-time Adoption of International Financial Reporting Standards, has been applied in preparing these financial statements. In accordance with IFRS 1, three Statements of Financial Position have been presented as accounting policies have been applied retrospectively.

The transition to IFRS has not affected the accounting policies, reported financial position or cash flow of the Contingencies Fund.

The accounts have been prepared under the historical cost convention. There are no areas of the financial statements that are reliant on management's judgement in the process of applying the Contingencies Fund's accounting policies. There are no sources of estimation uncertainty at the balance sheet date.

The financial statements of the accounts are rounded to the nearest £ million.

### 1.2 IFRS in issue but not yet effective

In November 2009 the International Accounting Standards Board (IASB) issued a revised version of IAS 24 in respect of Related Party Disclosures. This revision has not been applied for 2009-2010 since the effective date is 1 January 2011. It is expected that the application will not have any significant impact on the financial statements of the Contingencies Fund accounts.

### 1.3 Functional and presentation currency

The financial statements of the Contingencies Fund are presented in sterling, which is the Contingencies Fund's functional currency.

### 1.4 Financial assets and liabilities

All assets and liabilities are financial assets and liabilities.

## 2 Income and expenditure

As interest is not receivable on its advances nor payable on its liabilities, the Contingencies Fund does not receive any income, nor does it incur any expenditure. Consequently, no Operating Cost Statement is presented.

## 3 Cash and cash equivalents

Cash and cash equivalents comprise a cash balance held by the Government Banking Service. A balance of £1,500,000 was held at both the start and end of the financial year 2009-2010 and at 1 April 2008. This is equal to the permanent capital of the Contingencies Fund, as specified by section 52 of the Finance Act 1921.

#### 4 Advances outstanding and sums repayable to the Consolidated Fund

An advance of £110,000 was outstanding at 31<sup>st</sup> March 2010. This was the remainder of an earlier advance to the Government Actuary's Department, which had been partially repaid. The balance of £110,000 was repaid in April 2010 (2008-2009: £nil; 1 April 2008: £9,742,000 comprising £3,500,000 to the Department for Transport, £1,312,000 to the Department for Work and Pensions, £930,000 to the Department for Communities and Local Government and £4,000,000 to the Department for Innovation, Universities and Skills).

The £110,000 advance outstanding at the year-end mentioned above is owed to the Consolidated Fund when received, and is classified as a current liability to the Consolidated Fund in the Statement of Financial Position.

The Contingencies Fund's permanent capital of £1,500,000 has been treated as a long-term liability to the Consolidated Fund.

#### 5 Advances and repayments

Contingencies Fund advances and repayments that contributed to cash flow in 2009-2010 were as follows:

	Code (see Note 6)	2009-2010 Advances £m	2009-2010 Repayments £m	2008-2009 Advances £m	2008-2009 Repayments £m
<i>5.1 Advances to Departmental Supply Estimates</i>					
HM Treasury	(b)	0	0	5,200.0	5,200.0
Ministry of Justice	(b)	1.1	1.1	0	0
Department for Business, Innovation and Skills <sup>(1)</sup>	(c)	0.1	0.1	0	4.0
Department for Children, Schools and Families	(c)	0.2	0.2	1.5	1.5
Department for Communities and Local Government	(c)	0	0	0	0.9
Department for Environment, Food and Rural Affairs	(c)	0.1	0.1	0	0
Department for Transport <sup>(2)</sup>	(c)	0	0	0	3.5
Department for Work and Pensions	(c)	0	0	2.4	3.7
HM Treasury	(c)	0	0	3,209.7	3,209.7
Cabinet Office	(d)	99.2	99.2	0	0
Department for Transport	(d)	0	0	1,500.0	1,500.0
Foreign and Commonwealth Office	(d)	90.0	90.0	0	0
Ministry of Defence	(d)	0	0	626.6	626.6
Northern Ireland Courts Service	(d)	37.0	37.0	20.0	20.0
Northern Ireland Office	(d)	0	0	340.3	340.3
Office for Standards in Education, Children's Services and Skills	(d)	0	0	20.0	20.0
Serious Fraud Office	(d)	0	0	10.0	10.0
Government Actuary's Department	(e)	1.2	1.1	0.4	0.4
National School of Government	(e)	3.0	3.0	3.5	3.5
Office of Gas and Electricity Markets	(e)	15.0	15.0	10.0	10.0
Office of Rail Regulation	(e)	10.0	10.0	10.0	10.0
Postal Services Commission	(e)	3.2	3.2	3.2	3.2
Water Services Regulation Authority	(e)	3.0	3.0	3.5	3.5
		<b>263.1</b>	<b>263.0</b>	<b>10,961.1</b>	<b>10,970.8</b>

## 5.2 Advances in anticipation of revenue, as distinct from income, receipts

HM Revenue and Customs	(f)	<u>47.4</u>	<u>47.4</u>	<u>3.0</u>	<u>3.0</u>
		<u>47.4</u>	<u>47.4</u>	<u>3.0</u>	<u>3.0</u>
<b>Total</b>		<b><u>310.5</u></b>	<b><u>310.4</u></b>	<b><u>10,964.1</u></b>	<b><u>10,973.8</u></b>

1 The Department for Innovation, Universities and Skills was merged with the Department for Enterprise and Regulatory Reform to become the Department for Business, Innovation and Skills during 2009-2010.

2 This amount relates to an amount outstanding from 2006-07.

## 6 Analysis of reasons for issues of advances

The code letters shown against the advances indicate the purposes for which they were required and follow the definitions in section 5.13 of Supply Estimates: A Guidance Manual.

Total advances in 2009-2010 attributable to each category were

	<b>2009-2010</b>	2008-2009
	<b>£m</b>	£m
a during the Vote on Account period, to meet urgent cash requirements (other than supporting resources for new services) in excess of the net cash requirement granted in the Vote on Account	<b>0.0</b>	0.0
b to meet the cash requirement supporting resources for an urgent service which Parliament has already approved through specific enabling legislation but for which existing provision is not available	<b>1.1</b>	5,200.0
c to meet the cash requirement supporting resources for a new service which is urgent and cannot await Parliamentary approval of both the specific enabling legislation and the necessary Estimate	<b>0.3</b>	3,213.6
d to meet a further urgent cash requirement for existing services when provision for the total net cash requirement on the Estimate is exhausted	<b>226.3</b>	2,516.9
e in the case of an Estimate where expenditure is largely financed from income, advances may be made in anticipation of the receipt of cash associated with such income	<b>35.4</b>	30.6
f in anticipation of revenue, as distinct from income, receipts	<b><u>47.4</u></b>	<u>3.0</u>
<b>Total</b>	<b><u>310.5</u></b>	<u>10,964.1</u>

## 7 Financial Risks related to the Contingencies Fund

The cash requirements of the Contingencies Fund are met from the Consolidated Fund and so liquidity risk is borne by the Exchequer.

All of the transactions of the Contingencies Fund occur in sterling, and no interest is paid on issues to the Contingencies Fund from the Consolidated Fund, nor received on advances made by the Contingencies Fund. As a result, the Contingencies Fund is not subject to foreign currency or interest rate risk.

The Contingencies Fund's advances are solely to public sector entities, with the majority of advances being made to meet urgent cash requirements for existing services when provision on the Estimate is exhausted. As a result, the credit risk faced by the Contingencies Fund is limited since once the relevant Consolidated Fund Bill has been granted Royal Assent, the Contingencies Fund will be repaid.

## 8 Commitments

At 31 March 2010 commitments had been made to make advances to departments totalling £35.2 million in the subsequent financial year (31 March 2009: £35.0 million). These advances are in respect of category (e) advances, required at the start of the new financial year by regulatory bodies that largely finance their operations from income.

## **9 Related parties**

The Treasury has a custodian role in relation to the Contingencies Fund. Therefore, as far as advances from and repayments to the Contingencies Fund are concerned, the Treasury is regarded as a related party.

During the year there were no transactions between the Treasury and the Contingencies Fund, and there was no balance outstanding at 31 March 2010.

## **10 Date of Authorisation for Issue of Accounts**

The accounts were authorised for issue by the Accounting Officer on 28 June 2010.

## Appendix

### Contingencies Fund Account

#### Accounts Direction given by the Treasury

- 1 The Treasury shall prepare accounts for the Contingencies Fund for the year ending 31 March 2010 and each subsequent financial year, that give a true and fair view of the state of affairs of the Contingencies Fund at the reporting date and of its cash flows for the year then ended.
- 2 The accounts shall be prepared in accordance with the requirements of the relevant version of the Government Financial Reporting Manual (FReM).
- 3 The statement of cash flows shall show only receipts and payments.
- 4 This accounts direction shall be reproduced as an appendix to the accounts.
- 5 This accounts direction supersedes that issued on 7 October 2005.

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Head, Assurance and Financial Reporting Policy  
HM Treasury  
17 March 2010

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