

# **Consolidated Fund Account**

## **2016-17**

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# **Consolidated Fund Account 2016-17**

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

**Ordered by the House of Commons  
to be printed on 18 July 2017**



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Print ISBN 9781474144759

Web ISBN 9781474144766

PU2083

Printed in the UK by the Williams Lea Group on behalf of the Controller of Her Majesty's Stationery Office

ID 10051722                  07/17

Printed on paper containing 75% recycled fibre content minimum

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# Performance report

## Overview

The Overview section provides information on the purpose and activities of the Consolidated Fund and a summary of its performance.

### Purpose and activities of the Consolidated Fund Account

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 HM Treasury (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.

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 and Customs (HMRC);
- other receipts paid over by departments known as Consolidated Fund Extra Receipts (CFERs);
- tax-type revenues such as fines, penalties and certain licence fees paid over by departments and known as Trust Statement income;
- 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 net expenditure. Parliament votes the necessary financial provision normally through the Supply Estimates process, which confers formal statutory authority through the Supply and Appropriation Acts that follow. There are normally two separate pieces of Supply legislation in each financial year: the Supply and Appropriation (Main Estimates) Act and the Supply and Appropriation (Anticipation & Adjustments) Act. 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 higher judiciary, expenses of holding general elections, United Kingdom contributions to the budget of the European Union and financial assistance payments made under the Banking Act 2009;
- Standing Service payments for Political and Public salaries and pensions include Speakers, Opposition Leaders, Opposition Whips and the offices of high ranking officials which include the Comptroller and Auditor General, Parliamentary and Health Service Ombudsman and Information Commissioner;
- issues to the Contingencies Fund; and
- balancing payments to the NLF when daily receipts into the CF exceed its payments.

The key issues and risks facing the CF are considered in the Governance Statement on pages 7 to 11.

## Performance analysis

The outturn for the year shows payments and receipts of £555.6 billion (2015-16: £544.2 billion), including a receipt of £64.1 billion (2015-16: £88.7 billion) from the NLF to cover what would have been the deficit for the year.

Transactions with the Contingencies Fund artificially inflate both receipts and payments as do advances to HMRC to cover daily revenue shortfalls as described in note 2 to the accounts (the latter have the effect of increasing tax receipts to the Consolidated Fund by funding payments that would otherwise have been funded by HMRC from tax receipts). After adjusting for these, and for the deficit funding from the NLF, total underlying receipts increased from £441.5 billion to £473.5 billion and underlying payments increased from £530.2 billion to £537.5 billion:

	Receipts		Payments	
	2016-17 £m	2015-16 £m	2016-17 £m	2015-16 £m
Total receipts / payments	<b>555,592</b>	544,225	<b>555,592</b>	544,225
Less Advances to HMRC	(11,050)	(9,016)	(11,050)	(9,016)
Less Transactions with the Contingencies Fund	(7,000)	(5,000)	(7,000)	(5,000)
Less Deficit funding from the NLF	(64,088)	(88,707)	-	-
	<b>473,454</b>	441,502	<b>537,542</b>	530,209

The accounts of the Contingencies Fund are published separately.

### Receipts

In 2016-17 tax receipts increased by £30.2 billion from £390.2 billion to £420.4 billion. More information is set out in the Annual Report and Accounts and Trust Statement prepared by HM Revenue & Customs. Miscellaneous receipts increased by £3.6 billion from £40.9 billion to £44.5 billion. Further details can be found in note 3.

### Payments

Supply payments to government departments increased by £10.9 billion from £471.1 billion in 2015-16 to £482.0 billion in 2016-17. Note 4c sets out the cash supplied to the ten highest drawing departments during 2016-17. Further details on how Supply has been spent can be found in individual departmental Annual Reports & Accounts. Payments to the budget of the European Union (EU) decreased by £3.5 billion, from £15.7 billion in 2015-16 to £12.2 billion in 2016-17. Further details can be found in note 5.

### International Support

The EU Budget is used to back various mechanisms that provide financial assistance to EU Member States and Third Countries including loans from the European Financial Stabilisation Mechanism, European Balance of Payments Facility, Macro Financial Assistance and the European Investment Bank. The CF would be responsible for any payments arising from the UK's contingent liability relating to lending under these mechanisms as described in the Parliamentary accountability and audit report. The UK has continued to support the International Monetary Fund (IMF) through the NLF in 2016-17 in line with our commitments as an IMF member. Through the NLF, the UK has provided support through the quota subscription and lending to the IMF. The UK's bilateral loan facility to Ireland has been funded by HM Treasury's Vote which is funded through the normal Supply procedures. Details can be found on the GOV.UK website<sup>1</sup>.

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<sup>1</sup> <https://www.gov.uk/government/publications/bilateral-loan-to-ireland>

### **Notification to leave the EU – Article 50**

On 29 March 2017, the UK Government submitted its notification to leave the EU in accordance with Article 50. The triggering of Article 50 starts a two-year negotiation process between the UK and the EU. Any subsequent changes in legislation, regulation and funding arrangements are subject to the outcome of the negotiations. During this two year period, which includes the full duration of the next accounting period, the UK remains a full member of the EU with all the rights and obligations arising from membership. This includes the liabilities, investments and contributions to the budget of the European Union disclosed within these accounts. There are no significant impacts on the financial statements in the short term from making the formal notification.

### **Long-term expenditure trends**

Since the function of the CF is to account for the proceeds of taxation and certain other government receipts, make issues to finance Supply Services, meet the Standing Services directly charged by statute and reimburse the NLF for net interest costs, it has no long-term expenditure trends.

**Tom Scholar**  
Accounting Officer  
HM Treasury

11 July 2017

# Accountability report

The accountability report contains a Corporate governance report and a Parliamentary accountability and audit report. The purpose of the corporate governance report is to explain the composition and organisation of the Consolidated Fund's governance structures and how they support the achievement of the Consolidated Fund's objectives. It includes the Statement of Accounting Officer's responsibilities and the Governance statement. The Parliamentary accountability and audit report includes key Parliamentary accountability information on regularity of expenditure and remote contingent liabilities as well as the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

## Corporate governance report

### Directors' report

Operationally, the Consolidated Fund (CF) is part of HM Treasury and its staff are employees of HM Treasury. The CF makes funding available for certain salaries and pensions but is not an employer. The CF itself therefore has no employees of its own.

#### Directors' conflicts of interest

In 2016-17, no material conflicts of interest have been noted by the senior management overseeing the Consolidated Fund.

#### Personal data related incidents

The CF had no protected personal data related incidents during 2016-17, nor during any previous period.

## Statement of Accounting Officer's Responsibilities

Under section 21(1) of the National Loans Act 1968, the Treasury is required to prepare a statement of Account relating to the Consolidated Fund for each financial year in the form and on the basis considered appropriate by HM Treasury. The Account is prepared on a cash basis and must give a true and fair view of the state of affairs of the Consolidated Fund and of its receipts and payments for the financial year. Notes 7-10 accompanying the Account disclose certain information relating to the Consolidated Fund on an accruals basis to assist preparation of Whole of Government Accounts.

In preparing the Account the Accounting Officer is required to:

- observe the relevant accounting and disclosure requirements of the Government Financial Reporting Manual in so far as they are relevant to the Account and apply suitable accounting policies on a consistent basis; and
- make judgements and estimates on a reasonable basis.

The Treasury has appointed its Permanent Secretary, Tom Scholar, as Accounting Officer of the Consolidated Fund.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable and for keeping proper records, are set out in *Managing Public Money* published by the Treasury.

The Accounting Officer confirms that, as far as he is aware, there is no relevant audit information of which the CF's auditors are unaware, and that he has taken all the steps that he ought to have taken as Accounting Officer to make himself aware of any relevant audit information and to establish that the CF's auditors are aware of that information.

The Accounting Officer confirms that the annual report and accounts as a whole is fair, balanced and understandable and that he takes personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

### Audit arrangements

The Account is prepared under section 21(1) of the National Loans Act 1968. The account is audited by the Comptroller and Auditor General under the requirements of the National Loans Act 1968. The National Audit Office (NAO) bears the cost of all external audit work performed on the CF. No non-audit work was undertaken by the NAO in relation to the CF in 2016-17.

## Governance Statement

### 1. Governance Framework

- 1.1 The Consolidated Fund (CF) is managed within the Treasury's overall risk and governance framework as set out in the Treasury's Annual Report and Accounts 2016-17. This includes the Treasury Board's assessment of its compliance with the *Corporate Governance Code*.
- 1.2 The Chancellor of the Exchequer, as Minister in charge of the Treasury, is responsible and answerable to Parliament on all the policies, decisions and actions of the Treasury, and ultimately of the CF.
- 1.3 The previous acting Permanent Secretary, John Kingman, was Accounting Officer for the CF from 1 April 2016 to 30 June 2016. I have been Permanent Secretary to the Treasury and Accounting Officer for the CF since 1 July 2016. As Accounting Officer for the CF, I am personally responsible and accountable to Parliament for the organisation and quality of management of the CF, including its use of public money and the stewardship of its assets, in line with those responsibilities assigned to me in *Managing Public Money*.

#### (a) Audit Committee

- 1.4 The Treasury Group Audit Committee is a subcommittee of the Treasury Board, and is tasked with supporting me in my role as Principal Accounting Officer, and the Treasury's Additional Accounting Officers in their responsibilities for managing risk, internal control and governance related to the Treasury Group's Annual Report and Accounts, the Central Funds (Consolidated Fund, National Loans Fund, Contingencies Fund and Exchange Equalisation Account) and the Whole of Government Accounts. Details on the overall risk and governance structure of HM Treasury can be found in the Governance Statement in the Treasury's Annual Report and Accounts.
- 1.5 I appoint members of the Committee for periods up to three years, extendable by one additional three-year period. The Chair of the Committee (Richard Meddings) reports directly to me and is also a non-executive member of the Treasury Board. The membership of the Audit Committee at the close of 2016-17 was:
  - Richard Meddings – Member of the Supervisory Board at Deutsche Bank and Deutsche Bank Audit committee chair and member of Risk Committee; Non-executive director, Legal & General PLC (2014 to 2017) and Risk Committee chair; Main Board Director (2002 to 2014) and Group Finance Director (2006 to 2014) Standard Chartered PLC; Non-executive director and Senior Independent Director of 3i Group PLC (2008 to 2014) and chair of Audit and Risk Committee; Financial Reporting Review Panel in FRC; Board member of International Chambers of Commerce UK (2007 to current); and Trustee on Teach First Board.
  - Tim Score - Non-executive director and Chair of Audit Committee at Pearson PLC; Non-executive director and Chair of Audit Committee at the British Land Company PLC; Chief Financial Officer of ARM Holdings PLC (2002 to 2015); Senior independent director, Chair of Audit and Interim Chairman at National Express Group (2005 to 2014); CFO of Rebus Group and William Baird PLC; Group Financial Controller at BTR Plc and LucasVarity PLC.
  - Peter Estlin - Alderman & Sheriff of the City of London; Senior Advisor, Barclays PLC., (previously Group Financial Controller and acting Group CFO); Governor, Bridewell Royal Hospital; Board Member, Trust for London; Trustee, Morden College; Commissioner, Royal Borough of Greenwich Fairness Commission.
  - Zarin Patel (from 1 March 2017) – Non-Executive Director of John Lewis Partnership and member of its Audit and Risk Committee; formerly Chief Operating Officer of The Grass Roots Group PLC; previously Chief Financial Officer at the BBC and a member of its Executive Board.
  - Jacinda Humphry (from 1 March 2017) - Finance Director, Department for Communities and Local Government; previously Director of Planning, Portfolio and Performance Management at the Department for Work and Pensions (DWP).

- 1.6 The Audit Committee met six times during 2016-17, taking the opportunity for pre-committee discussions with the National Audit Office (NAO) on each occasion. Attendance is outlined in the table below:

	<b>Eligible to attend</b>	<b>Attended</b>
Richard Meddings (Chair)	6	6
Tim Score	5	5
Mary Hardy (to 31 December 2016)	5	4
Peter Estlin	6	5
Abhai Rajguru (to 31 October 2016)	4	3
Zarin Patel	1	1
Jacinda Humphry	1	1

- 1.7 The 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 me about any potential conflicts and highlight these at the start of each meeting as appropriate.
- 1.8 In addition to the independent members, the appropriate Accounting Officers, HM Treasury's Group Director of Finance and the Treasury Accountant (or, in her absence, the Exchequer Accounts Manager) also attend Committee meetings. Members have the opportunity for a pre-committee discussion with the National Audit Office, Group Head of Internal Audit for HM Treasury and Head of Exchequer Funds Internal Audit (EFIA).
- 1.9 Over the course of the year, as well as scrutinising the Treasury's financial management and balance sheet risks, the Audit Committee considered a wide range of issues relating to the department's framework of governance, risk management and control. The Audit Committee challenged and approved the Internal Audit work programme throughout the year and followed up on management action to address audit recommendations.
- 1.10 Outside the planned committee meetings individual members have shared their commercial and professional expertise with key officials across the Treasury.
- 1.11 The external auditor is the Comptroller and Auditor General and the NAO attend all Audit Committee meetings on his behalf.
- 1.12 The Audit Committee receives all NAO reports and a summary of EFIA reports relating to the CF plus underlying reports on internal audits where issues are identified leading to Red or Amber assessments (one such report in 2016-17 and no such report in 2015-16).

**(b) Exchequer Funds Internal Audit (EFIA)**

- 1.13 Internal Audit for the CF is provided by EFIA who reports directly to both me and the Audit Committee on audit reporting matters.
- 1.14 For the CF, an annual risk-based internal audit programme is agreed with the Treasury Accountant (or, in her absence, one of her managers) in advance of the Audit Committee's approval. The work programme always includes a review of the receipts and payments process, due to the very high value of payments made by the CF. The Audit Committee reviews the work programme and is kept informed of progress and amendments.

**(c) Management of the Consolidated Fund**

- 1.15 The CF is managed by the Treasury Accountant and her managers within the Exchequer Funds and Accounts (EFA) Team of HM Treasury. The EFA team reports any matters concerning the CF directly to me.

**(d) Reporting to the Treasury's Boards**

- 1.16 The Economic, Fiscal and Operational Risk Groups, each chaired by a member of the Executive Management Board, give evidence to the Treasury Board and its Sub-committee. EFA's risks are regularly reported to the Operational Risk Group.
- 1.17 The Chair of the Audit Committee is invited to report concerns or issues to the Treasury Board (Sub-committee), and is a non-executive member of the Treasury Board.

**2. Risk management**

- 2.1 EFA is managed within the Treasury's risk management framework, as set out in the Treasury's Annual Report and Accounts. The Treasury Accountant and her managers have overall responsibility on a day-to-day basis for risk management of those Funds managed by EFA, and for ensuring that my financial, regularity and propriety responsibilities as Accounting Officer of the CF are discharged appropriately. She is supported by members of EFA management who are responsible for ensuring that the tasks in their area are compliant with operational policies and procedures, and legislation. EFA management provide me with a quarterly update report on changes to the control environment and changes in risk exposure.
- 2.2 Risk management is key to all processes within EFA, including business continuity resilience planning for those public funds for which EFA is responsible. Business continuity resilience is regularly tested locally and with business partners, and lessons learned feed into improved business continuity processes. 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, who is responsible for managing the risk, is assigned to each risk. The risk register is reviewed quarterly by EFA management, and is circulated to me alongside the quarterly risks and controls report.
- 2.3 There are sufficient experienced staff in the EFA team with an appropriate range and breadth of knowledge to manage the CF, covering absences as necessary and maintaining resilience. EFA management ensures that key operational staff with responsibilities relating to the CF are trained and equipped to manage risk in a way appropriate to their authority and duties. Training on risk awareness and management is provided as required, either by management or by attending appropriate courses. Training is also provided to staff to build the team's capability and to increase its resilience. EFA team members are encouraged to obtain professional qualifications in areas that are relevant to their roles.

**3. The system of internal control**

- 3.1 As Accounting Officer, I am responsible for maintaining a sound system of internal control that supports the achievement of the CF'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*.
- 3.2 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 CF'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.

3.3 The system of internal control has been in place throughout the year ended 31 March 2017 and up to the date of approval of the financial statements, and accords with Treasury guidance. During the year there were no significant changes to the control environment.

#### 4. Risk profile

4.1 The CF is managed generally within the framework of the Treasury's system of internal control. This framework includes resourcing the administration of the CF, security and the management of risks across the Treasury's business.

4.2 The key risks in managing the CF and their associated controls are:

- **Irregularity of transactions, including fraudulent or erroneous payments:** Clear separation of duties is enforced by appropriate user permissions within the accounting system and payment approval panels. Up-to-date policy and procedures manuals including job instructions are readily accessible to all operational staff. Payment instructions are computer-generated and are derived from underlying transaction records. This minimises the risk of keying errors. Net Supply issued to departments to finance expenditure is approved annually by Parliament through the annual Supply and Appropriation Acts. There are normally two separate pieces of Supply legislation in each financial year: the Supply and Appropriation (Main Estimates) Act and the Supply and Appropriation (Anticipation & Adjustments) Act. EFA inputs these limits onto the accounting system, which ensures that these limits are adhered to. Separately, the Comptroller and Auditor General, through the NAO Exchequer Section, approves CF payments in advance and reconciles CF transactions on a daily basis. There is also a clear and comprehensive audit trail in the IT system, to which the NAO Exchequer Section has real-time access.
- **Incorrect accounting:** Application controls exist within the IT system used to manage financial transactions and account for receipts and payments of the CF. Cash-based accounting entries are generated from pre-defined templates. New general ledger accounts are authorised by the Treasury Accountant in EFA or one of her managers before being set up. Monthly management accounts for the CF are also produced and reviewed by the Treasury Accountant (or, in her absence, the Exchequer Accounts Manager), and are provided to me. The accounting for any unusual transactions is suitably considered.
- **Failure of IT systems:** The Nippon Telegraph and Telephone Corporation (NTT) data centre offers high levels of resilience with the data centre platform availability set to 99.9 per cent and the network connectivity availability set to 99.99 per cent. NTT has dual centres which provides a high level of resilience. As part of disaster recovery measures, there is an Active/Active configuration across the two data centres, which ensures a superior level of availability across both sites with near instant failover. EFA also has its own contingency plans in place.
- **Failure to provide an effective service in adverse circumstances, including disaster situations:** To ensure operational resilience in key areas in the event of a threat to business continuity, staff within EFA are trained to provide cover for times when other staff members are absent. Measures are in place to facilitate the NAO Exchequer Section's normal payments approval process in the event of disruption to enable the essential payments business to continue. The risks that impact upon EFA's key stakeholders are managed by their involvement in business continuity planning and testing. Business continuity arrangements are regularly reviewed and tested within the framework of the Treasury's corporate Business Continuity Plan facilities.
- **Failure of principal counterparties to provide agreed services:** Well-developed Service Level Agreements (SLAs) for the provision of services from all principal counterparties are in place. They cover details of the monitoring and control arrangements that both parties are expected to observe. Bi-annual meetings are held with managers at the Bank of England where service levels are discussed. A monthly report of any failure to meet the service requirements is also sent to the Bank of England by EFA. A monthly meeting is held with Government Banking management where service levels are discussed.
- **Information risk:** Data and information risks are managed in accordance with the Treasury's policies, which involve a range of controls to prevent unauthorised disclosures. These include

encryption and physical and IT security. HM Treasury adheres to Cabinet Office guidelines available at <https://www.gov.uk/government/publications/security-policy-framework>. Further guidance on information security and assurance is available to all Treasury staff on the intranet. EFA's own Data Handling Policy identifies risks specific to EFA. This policy is reviewed as required.

**5. Review of effectiveness**

- 5.1 In line with HM Government guidance, set out within the Corporate Governance Code of Good Practice for central government departments, I have reviewed the effectiveness of the system of internal control. My review is informed by the work of EFIA who provided positive assurance as to the management and control of the CF in 2016-17 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 Treasury Group Audit Committee and risk owners in addressing weaknesses and ensuring continuous improvement of the system is in place. Information about the effectiveness of the Treasury's overall system of governance including board effectiveness, attendance, compliance with the Corporate Governance Code and quality of management information reviewed, is reported in the Treasury's Annual Report and Accounts.
- 5.2 The Audit Committee considered the 2016-17 accounts in draft and provided me with its views before I formally signed the accounts.
- 5.3 No significant internal control issues, including data related incidents, have been identified in 2016-17, and no significant new risks have been identified in the year. No ministerial directions have been given in 2016-17.
- 5.4 In my opinion, the system of internal control was effective throughout the financial year and remains so on the date I sign this report.

## Parliamentary accountability and audit report

### Regularity of payments

The receipts and payments of the CF were applied to the purposes intended by Parliament.

The above statement has been audited.

### Fees and charges

The CF does not have any fees or charges.

The above statement has been audited.

### Remote contingent liabilities

The CF has contingent liabilities that fall outside the scope of IAS 37 as the possibility of an outflow of resources is remote. However, their disclosure is necessary under Parliamentary accountability requirements. As at 31 March 2017 the CF had the following remote contingent liabilities:

	At 31 March 2017 £m	At 31 March 2016 £m
<b>EIB: Callable capital subscription</b>	<b>30,528</b>	28,297
<b>Loans Guaranteed by the EU Budget</b>		
European Financial Stabilisation Mechanism	6,959	6,639
Balance of Payments Facility	851	1,200
Third countries	3,813	3,365
Other (macro-financial assistance, EIB lending, Euratom)	333	372
	<b>11,956</b>	11,576
<b>Value of UK coins in circulation</b>	<b>4,858</b>	4,644

#### *European Investment Bank: Callable capital subscription*

The latest EIB financial statements at 31 December 2016 show the UK is liable for €35,699 million of callable capital to the EIB (£30,528 million) (31 December 2015: €35,699 million, £28,297 million). 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 subscribed capital to such extent as may be required for the Bank to meet its obligations.

#### *Loans Guaranteed by the EU Budget*

The EU Budget covers two types of lending operations: a) to Member States under the Balance of Payments Facility and European Financial Stabilisation Mechanism and b) loans and guarantees to Third Countries under Macro Financial Assistance, Euratom and European Investment Bank operations. These loans are guaranteed by the EU Budget and the contingent liabilities above would only crystallise in the event of borrower default. For Third Countries, the default would have to exceed the size of the Guarantee Fund for External Actions for contingent liabilities to crystallise. The probability of this remains remote.

The European Commission periodically prepares reports showing the capital outstanding and accrued interest in respect of lending operations for which the risk is covered by the EU Budget. The information above is the latest available from the Commission and comes from the report of October 2016 which shows capital outstanding and accrued interest as at 31 December 2015.

The total of £11,956 million in the table above represents the UK's maximum liability from outstanding loans to EU Member States and Third Countries for which the risk is ultimately borne by the EU Budget. The estimated UK share of the total EU contingent liability is 17.13% (2015-16: 17.63%), determined by the Own Resources Decision on financing the EU budget (note 5). Total capital outstanding and accrued interest to date, excluding that part covered by the Guarantee Fund for External Actions (described below), stands at €81,622 million (2015-16: €82,837 million) so the UK's indicative share would be €13,982 million or £11,956 million (2015-16: €14,604 million or £11,576 million).

The European Financial Stabilisation Mechanism (EFSM) allows the Union to grant up to €60 billion in financial assistance to any EU Member State. The mechanism has been drawn upon three times. The programmes that remain outstanding were initiated by Ireland in December 2010 as part of a three year international financial assistance programme of which €22.5 billion was provided by the EFSM; and by Portugal in May 2011 as part of a three year international financial assistance programme of which €24.3 billion was provided through the EFSM. Both programmes have since concluded, with the final disbursements taking place in November 2014. However, Ireland and Portugal remain under post programme surveillance until 75% of the financial assistance received in each case has been repaid. Since 2014, loans to Portugal and Ireland have been refinanced in accordance with a Council agreement in 2013 to extend maturities on loans to both countries. The figure of £6,959 million above relates to the indicative UK share of the total drawdown of €46,800 million (2015-16: €46,800 million) plus accrued interest. The EFSM also granted up to €7,160 million in short term loans to Greece in July 2015. These were subsequently repaid in August 2015.

For clarity, the UK has no contingent liability through the EU budget or otherwise to the financial assistance programmes provided by euro area Member States and institutions to Greece or Cyprus. These programmes were provided by euro area-only financial assistance mechanisms which are not backed by the EU Budget and therefore involve no liability for the UK. The UK's exposure and commitment to the International Monetary Fund is described in the account for the National Loans Fund.

The EU's Balance of Payments Facility can offer up to €50 billion in medium-term financial assistance for EU countries outside the euro area. The Commission's latest report shows outstanding loans of €5,811 million in respect of loans disbursed and accrued interest to Hungary (which has since fully repaid), Latvia and Romania (2015-16: €8,590 million). The UK share of this is £851 million (2015-16: £1,200 million).

The contingent liability also includes EU guarantees to Third Countries, i.e. countries that are not members of the EU, including Macro Financial Assistance to Albania, Armenia, Bosnia-Herzegovina, the former Yugoslav Republic of Macedonia, Georgia, Jordan, the Kyrgyz Republic, Montenegro, Serbia, Tunisia and Ukraine; and loans made by the European Investment Bank to Third Countries and some EU Member States prior to their accession to the EU. A Guarantee Fund is maintained to bear the first losses in the event of default on these loans. This is financed from the general budget of the EU with a target size of 9 per cent of outstanding loans. The UK's estimated share of the residual contingent liability is £3,813 million (2015-16: £3,365 million).

#### *UK Coins in Circulation*

As at 31 March 2017 the estimated total face value of coins in circulation was £4,858 million (2015-16 £4,644 million). The CF has potential liability in respect of returned and damaged coins and if coins are redeemed. The value of returned, damaged and redeemed coins paid in 2016-17 was £148.4 million (2015-16 £42.7 million) (notes 6a and 9). The probability of a material liability in respect of coinage is considered remote.

The above statements have been audited.

**Tom Scholar**  
Accounting Officer  
HM Treasury

11 July 2017

## **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 2017 under the National Loans Act 1968. The financial statements comprise: the Receipts and Payments Account and the related notes 1 to 6, the accruals based disclosures in notes 7 to 10 and notes 11 to 13. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Parliamentary Accountability Disclosures that is described as having being audited.

### **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 in accordance with National Loans Act 1968 and in the form prescribed by HM Treasury. My responsibility is to audit, certify and report on the financial statements in accordance with the National Loans Act 1968. I conducted my audit in accordance with 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 circumstances of the Consolidated Fund and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by HM Treasury; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Performance Report and Accountability Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the receipts and payments recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### **Opinion on regularity**

In my opinion, in all material respects the receipts and payments recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### **Opinion on financial statements**

In my opinion:

- the financial statements properly present the receipts and payments of the Consolidated Fund for the year ended 31 March 2017; and
- the financial statements have been properly prepared in accordance with the National Loans Act 1968 and in the form prescribed by HM Treasury.

### **Opinion on other matters**

In my opinion:

- the Parliamentary Accountability Disclosures to be audited has been properly prepared in accordance with applicable law; and

- the information given in the Performance Report and Accountability Report 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 returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the Parliamentary Accountability Disclosures to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

**Report**

I have no observations to make on these financial statements.

**Sir Amyas C E Morse**  
Comptroller and Auditor General

11 July 2017

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

# Receipts and Payments Account for the year ended 31 March 2017

	Notes	2016-17 £m	2015-16 £m
<b>Receipts</b>			
<b>Tax Revenue</b>			
HMRC	2	420,394	390,248
Vehicle Excise Duty	2	6,041	5,896
Business Rates Rentention/National Non-Domestic Rates	2	13,561	13,445
		<b>439,996</b>	<b>409,589</b>
<b>Other Receipts</b>			
Repayments from the Contingencies Fund		7,000	5,000
Miscellaneous receipts	3	44,508	40,929
Deficit funded from the National Loans Fund		64,088	88,707
<b>Total receipts</b>		<b>555,592</b>	<b>544,225</b>
<b>Payments</b>			
<b>Supply Services</b>		481,965	471,101
<b>Standing Services</b>			
Advances to HMRC in support of revenue	2	11,050	9,016
Payments to the National Loans Fund for net interest payments		42,863	42,750
Payments to the budget of the European Union	5	12,169	15,710
Other Standing Services	6a	545	648
		<b>548,592</b>	<b>539,225</b>
<b>Issues to the Contingencies Fund</b>		7,000	5,000
<b>Total Payments</b>		<b>555,592</b>	<b>544,225</b>

The notes on pages 17 to 33 form part of this Account.

**Tom Scholar**  
Accounting Officer  
HM Treasury

11 July 2017

# Notes to the Account

## 1. Statement of Accounting Policies

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.

The CF is administered by the Treasury; its bank account is maintained at the Bank of England.

These accounts are prepared on a cash basis under section 21(1) of the National Loans Act 1968 as an account of payments and receipts. In addition, accruals-based disclosures are made at notes 7-10 to assist preparation of Whole of Government Accounts. They are restricted to those items not disclosed in departmental Annual Reports and Accounts or elsewhere. These items include liabilities in respect of pensions paid directly from the CF, coinage issued and redeemed, the UK's capital subscription to the European Investment Bank and the Public Dividend Capital (PDC) of the Land Registry. These disclosures have been prepared on an accruals basis under the historical cost convention, modified to account for the revaluation of investments. There is limited direct read-across between the accruals-based notes 7-10 and the cash-based CF Receipts and Payments account. References are given where there is a direct read-across to notes 3 and 6a.

All notes are stated in millions of pounds sterling (£m) with the exception of those notes including payroll or pensions information which are stated in thousands of pounds sterling (£000) or pounds sterling (£).

### *Foreign currency translation*

Monetary assets and liabilities included in notes 10 to the accounts are reported at the exchange rate prevailing at the year end date of £/€ 1.1694 (2015-16: £/€ 1.2616).

## 2. Tax Revenue

Detailed breakdowns of tax revenues paid into the CF are set out in Trust Statements prepared by the receiving departments. These departments are Her Majesty's Revenue and Customs (HMRC), the Driver and Vehicle Licensing Agency (DVLA) and the Department for Communities and Local Government (DCLG). Tax receipts collected by HMRC are subject to an estimation process applied by HMRC to distinguish between tax receipts and national insurance contributions which are also collected by HMRC. Cash paid over to the CF by HMRC in any reporting period may include amounts later identified as national insurance contributions which are then repaid to the National Insurance Fund.

HMRC is empowered to receive funding from the CF to meet its cash needs on days when its revenue-related outflows exceed its receipts. Some £11.1 billion was advanced from the CF for this purpose in 2016-17 (£9.0 billion in 2015-16).

### 3. Miscellaneous receipts

	Notes	2016-17 £m	2015-16 £m
Consolidated Fund Extra Receipts (CFERs) <sup>1</sup>		<b>20,830</b>	34,167
Trust Statement revenue <sup>2</sup>		<b>4,743</b>	5,769
United Kingdom coinage issued	9	<b>227</b>	300
Crown Estate surplus revenue		<b>321</b>	299
Current year over-issues of Supply repaid	4	<b>17,346</b>	-
Prior year over-issues of Supply repaid	4	<b>915</b>	3
Miscellaneous		<b>126</b>	391
<b>Total</b>		<b>44,508</b>	40,929

<sup>1</sup> CFERs comprise:

- Negative Supply (for Departments that end the year with a negative net cash requirement outturn);
- departmental income that falls outside the ambit of the Estimates; and
- fines, levies and penalties considered insufficiently material to be reported in a Trust Statement.

<sup>2</sup> Trust Statement Revenue comprises fines, levies and penalties considered sufficiently material to be reported in a Trust Statement. The figures above exclude Trust Statement revenue included within Tax Revenue on the face of the Receipts and Payments account and already reported in note 2.

<i>Receipts surrendered to the Consolidated Fund</i>	2016-17	2015-16
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Remitter	CFERs	Trust Statement	Total	Total
			£m	£m
1. HM Treasury	<b>17,602</b>	<b>176</b>	<b>17,778</b>	28,753
2. BBC License Fee Revenue	-	<b>3,158</b>	<b>3,158</b>	3,112
3. Department for Business, Energy and Industrial Strategy	<b>1,078</b>	<b>1,193</b>	<b>2,271</b>	4,142
4. Department for Culture, Media and Sport	<b>511</b>	-	<b>511</b>	412
5. NHS Pension Scheme	<b>448</b>	-	<b>448</b>	576
	<b>19,639</b>	<b>4,527</b>	<b>24,166</b>	36,995
Other	<b>1,191</b>	<b>216</b>	<b>1,407</b>	2,941
<b>Total</b>	<b>20,830</b>	<b>4,743</b>	<b>25,573</b>	39,936

Note that receipts are recorded against the remitting entity even where that entity is part of a wider group which may also generate remittances.

Receipts from HM Treasury comprised £10.3 billion excess cash from Bank of England Asset Purchase Facility Fund (2015-16: £8.5 billion), £6.7 billion from Government financial sector interventions (2015-16: £17.2 billion) and £0.7 billion from other items (2015-16: £3.0 billion). Further information can be found in the Treasury's 2016-17 Annual Report & Accounts and the Treasury's 2016-17 Trust Statement.

During 2016-17 there were several machinery of government changes. The functions of the former Department for Business, Innovation and Skills in respect of higher and further education policy, apprenticeships and skills transferred to the Department for Education. The Department for Energy and Climate Change and the remaining functions of the Department for Business, Innovation and Skills merged to form a new Department for Business, Energy and Industrial Strategy. In 2015-16 Department of Energy and Climate Change remitted £2,162 million and Department for Business, Innovation and Skills remitted £1,980 million.

In 2016-17 Wales Office remitted £27 million compared to £945 million in 2015-16 primarily as a result of a one-off event totalling £919 million whereby Welsh local authorities bought themselves out of the Housing Revenue Account subsidy in Wales, in line with the requirement of the Housing (Wales) Act.

#### 4. Analysis of Supply Services

##### 4a Supply Services issues and repayments

	Notes	2016-17	2015-16
		£m	£m
<b>Supply Issues</b>			
For current year		<b>481,812</b>	470,375
For previous year		<b>153</b>	726
Supply Services issued		<b>481,965</b>	471,101
Current year over-issues of Supply repaid	3	(17,346)	-
Prior year over-issues of Supply repaid	3	(915)	(3)
<b>Net Supply Services issued</b>		<b>463,704</b>	471,098

Note 4a shows receipts and payments of Supply in a financial year.

##### 4b Supply Services analysed by period

<b>Year for which Supply granted</b>	2016-17	2015-16	2014-15
	£m	£m	£m
Positive Net Cash Requirement	<b>483,334</b>	488,515	482,645
Negative Net Cash Requirement	(3,791)	(14,423)	(1,463)
Excess Vote	n.a	-	
Total Net Supply granted by Parliament	<b>479,543</b>	474,092	481,182
Surplus not required (as reported)	n.a	(5,682)	(16,584)
Revised Total Net Cash Requirement outturns reported by government departments	n.a	468,410	464,598

##### Analysed by Year of Payment/(Receipt):

2014-15	Issues made in year		465,879
	Current year over-issues surrendered in cash		-
	Prior year issues applied to a subsequent year		3,727
	Prior year over- issues surrendered in cash		-
2015-16	Issues made in year		470,375
	Current year over-issues surrendered in cash		-
	Prior year issues applied to a subsequent year		5,458
	Prior year over- issues surrendered in cash		(3)
2016-17	Issues made in year	<b>481,812</b>	153
	Current year over-issues surrendered in cash	(17,346)	-
	Prior year issues applied to a subsequent year	<b>6,934</b>	(6,661) (273)
	Prior year over- issues surrendered in cash	-	(915) -
	<b>Total</b>	<b>n.a</b>	<b>468,410</b>
			<b>464,598</b>

Note 4b analyses the receipts and payments of Supply according to the year for which the Supply was granted. The Net Cash Requirement for 2016-17 will not be finalised until all government departments have published their accounts. Therefore this figure and the subsequent analysis is noted as not yet available (n.a). This will be published in the 2017-18 CF Account. Excess Votes are always approved in March of the following year, therefore any adjustments to Supply in respect of Excess Votes will always be recorded as an adjustment to the previous year's figures.

#### *4c Departmental Drawings*

The following analysis sets out the cash supplied to the ten highest drawing departments during 2016-17. Details of how Supply has been spent can be found in each of the departmental Annual Report and Accounts.

#### **Cash Supplied by the Consolidated Fund**

<b>Department</b>	<b>2016-17</b>	<b>2015-16</b>
	£m	£m
1. Department of Health	<b>98,200</b>	97,019
2. Department for Work and Pensions	<b>80,713</b>	82,001
3. Department for Education	<b>75,657</b>	57,628
4. Ministry of Defence	<b>35,667</b>	35,532
5. Department for Business, Energy and Industrial Strategy*	<b>32,049</b>	28,883
6. Scotland Office	<b>27,968</b>	28,034
7. Department for Communities and Local Government	<b>17,992</b>	18,750
8. Department for Transport	<b>16,854</b>	19,013
9. HM Revenue & Customs	<b>15,320</b>	24,932
10. Northern Ireland Office	<b>14,205</b>	14,018
	<b>414,625</b>	405,810
Other	<b>67,340</b>	65,291
<b>Total</b>	<b>481,965</b>	471,101

\* During 2016-17 there were several machinery of government changes. The functions of the former Department for Business, Innovation and Skills (BIS) in respect of higher and further education policy, apprenticeships and skills transferred to the Department for Education (DfE). The Department for Energy and Climate Change (DECC) and the remaining functions of BIS merged to form a new Department for Business, Energy and Industrial Strategy (BEIS). The 2015-16 comparative figure is the cash supplied to BIS (£24,708 million) and DECC (£4,175 million). No adjustment has been made to BEIS's figures to show the cash supplied to DfE for the functions transferred from the former BIS.

The cash supplied to BEIS £32,049 includes £153 million of cash issued to DECC accounted for as prior year issue in Note 4a. Of this total, £16,985 million was repaid to the CF and accounted for as current year over issues of supply repaid in Note 3.

#### **5. United Kingdom contributions to the Budget of the European Union (EU)**

Member States' contributions to the EU Budget are made on the basis of the financing system set out in the Own Resources Decision (ORD) which was agreed by all Member States in 2005 and incorporated into UK law by virtue of the European Communities (Finance) Act 2008.

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 over several years. The ORD provides for the EU Budget to be financed by own resources consisting of:

- (i) customs duties, including those on agricultural products;
- (ii) sugar levies;
- (iii) VAT-based resource, which is the product of the application of a uniform rate, not exceeding 0.3 per cent, to a hypothetical, harmonised expenditure base which must not for any Member State exceed 50 per cent of its GNI base; and
- (iv) a GNI-based resource, sometimes referred to as the “fourth resource”. 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 ORD. It is equal to approximately 66 per cent of the difference in the previous year between the UK's contribution to the EU's abatable budget expenditure and the UK's receipts from the EU Budget. Abatable budget expenditure is all expenditure in the 15 countries that were Member States prior to 2004 plus agricultural expenditure in those Member States that acceded since 2004.

		2016-17	2015-16
	Contribution for year ended 31 March 2017	Adjustment of prior years' contributions	
	£m	£m	Total £m
Custom duties	2,607	393	3,000
Sugar levies	9	-	9
VAT-based contribution	2,477	-	2,477
GNI-based contribution	10,685	754	11,439
	<b>15,778</b>	<b>1,147</b>	<b>16,925</b>
UK abatement	<b>(3,608)</b>	<b>(1,148)</b>	<b>(4,756)</b>
UK's total contribution to EU Budget	<b>12,170</b>	<b>(1)</b>	<b>12,169</b>
			15,710

In May 2014, the Council adopted a new own resources decision, introducing some changes to the own resources system for the period 2014-2020. The changes agreed under ORD14 came into effect in October 2016 following the completion of ratification of the ORD by all Member States. Retroactive adjustments to Member States' contributions between January 2014 and October 2016 were made in January 2017. The UK made a payment of £0.4bn to cover the reduction in the amount of customs duties and sugar levies retained by the UK from 25% to 20% and a payment of £0.8bn to account for changes in the calculation of GNI and the financing shares of other Member States. The UK rebate was also increased by £0.6bn, putting the net payment at £0.6bn.

The 2015-16 figures for both VAT-based and GNI-based contributions include adjustments relating to both December 1<sup>st</sup> 2014 and December 1<sup>st</sup> 2015. The bill presented to the UK for payment on December 1<sup>st</sup> 2014 was exceptionally high, at £2.9 billion. However, the UK came to an agreement to pay in two delayed instalments (in July and September 2015) and secured an abatement of £0.9 billion on its VAT and GNI adjustments. Surpluses arising from similar adjustments across all Member States further reduced the bill by £1.2 billion, bringing the net adjustment to less than £0.8 billion.

The UK's contribution to the EU budget varies from year to year as a result of various factors, for example variations in payments made due to the nature of the Own Resources system and variations in UK receipts from the EU budget and consequent fluctuations in the UK abatement. The Government presents an annual statement to Parliament about the EU Budget (available at <https://www.gov.uk/government/collections/eu-annual-statement>). Remote contingent liabilities relating to the EU Budget are described in the Parliamentary accountability and audit report on pages 12 - 13.

**6a Other Consolidated Fund Standing Services payments**

	Notes	2016-17 £'000	2015-16 £'000
<b>Annuities and Pensions</b>			
Annuity to the Duke of Edinburgh		<b>359</b>	359
Royal Household Pension Scheme	7d	<b>4,588</b>	4,333
Pensions for Judicial Services <sup>1</sup>	8	<b>75,146</b>	69,283
Members of the European Parliament pensions <sup>2</sup>	7d	<b>1,892</b>	2,190
Political and Public Service pensions	8	<b>549</b>	495
Civil List pensions	8	<b>142</b>	138
<b>Salaries and Allowances</b>			
Courts of Justice <sup>3</sup>		<b>156,256</b>	152,503
Members of the European Parliament		<b>253</b>	243
Political and Public	6b	<b>1,381</b>	1,340
<b>Miscellaneous Services</b>			
Election and referendum expenses		<b>155,879</b>	122,799
Royal Mint (redeemed coinage)	9	<b>148,368</b>	42,713
Miscellaneous refunds		-	251,372
<b>Total</b>		<b>544,813</b>	647,768

<sup>1</sup> Pensions for Judicial Services includes pensions of previous Lord Chancellors.

<sup>2</sup> In line with the requirements of Managing Public Money to report fraud, in 2014-15, a disclosure was made of a fraudulent payment of an MEP's widow pension dating back to 2001. In 2016-17, the CF recovered 10% of the potential loss. The total value of the actual loss to the CF is £64,903

<sup>3</sup> Courts of Justice salaries includes the salary of the Lord Chancellor.

**6b Political and Public Service Payments**

Political and Public Service Payments reported in note 6a comprise payments to the holders of political posts or public offices and associated employers' national insurance contributions for which specific statutory powers exist enabling the CF to make such payments:

	2016-17 £	2015-16 £
Holders of Political Posts - payments	<b>413,575</b>	381,209
Holders of Political Posts - employers' national insurance	<b>48,039</b>	36,114
Public Office holders - payments	<b>821,053</b>	827,428
Public Office holders - employers' national insurance	<b>98,567</b>	95,221
<b>Total</b>	<b>1,381,234</b>	1,339,972

The figures above exclude payments and associated employers' national insurance for the Lord Chancellor which are shown in table 6bi below but are included with Courts of Justice salaries rather than Political and Public in note 6a.

The payments to office holders are shown below and do not include employers' national insurance contributions. In line with the rest of the CF account, these are reported on a payments basis. Any

Consolidated Fund Account 2016-17

backdated payments are reported in the year they are paid. Full Year Equivalents (FYE) are also reported for information where the office holder only served for part of the year.

*6bi Payments to holders of Political Posts*

	2016-17 Salary £	2015-16 Salary £
The Rt Hon Edward Miliband MP <i>Leader of the Opposition – HOC</i>	-	13,834
The Rt Hon Harriet Harman QC MP <i>Leader of the Opposition – HOC</i>	-	19,657
The Rt Hon Jeremy Corbyn MP <i>Leader of the Opposition – HOC</i>	<b>55,334</b>	30,587
The Rt Hon Baroness Royall of Blaisdon <i>Leader of the Opposition – HOL</i>	-	20,120
The Rt Hon Baroness Smith of Basildon <i>Leader of the Opposition – HOL</i>	<b>105,076</b>	75,431
The Rt Hon Dame Rosie Winterton MP <sup>1 &amp; 2</sup> <i>Opposition Chief Whip – HOC (to Oct 2016)</i>	<b>24,526</b>	27,592
Rt Hon Nicholas Brown MP <sup>2</sup> <i>Opposition Chief Whip – HOC (from Oct 2016)</i>	<b>15,868</b>	-
The Rt Hon Alan Campbell MP <sup>2</sup> <i>Deputy Opposition Chief Whip – HOC</i>	<b>17,917</b>	15,605
Lord Bassam of Brighton <sup>2</sup> <i>Opposition Chief Whip – HOL</i>	<b>99,903</b>	87,012
Mark Tami MP <sup>2</sup> <i>Opposition Pairing Whip – HOC</i>	<b>17,917</b>	15,605
The Rt Hon John Bercow MP <i>Speaker – HOC</i>	<b>77,034</b>	75,766
	<hr/> <b>413,575</b>	<hr/> 381,209
The Rt Hon Chris Grayling MP <i>Lord Chancellor</i>	-	8,166
The Rt Hon Michael Gove MP <sup>3</sup> <i>Lord Chancellor (to Jul 2016)</i>	<b>36,294</b>	59,339
The Rt Hon Elizabeth Truss MP <i>Lord Chancellor (from Jul 2016)</i>	<b>48,088</b>	-
	<hr/> <b>84,382</b>	<hr/> 67,505

<sup>1</sup> This figure includes salary up to Oct 2016 and severance payment (£7,920).

<sup>2</sup> Opposition Office Holders have agreed to claim salaries at a rate that mirrors the Government's policy of freezing Ministerial salaries

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for the duration of this Parliament at the same level as in the previous Parliament.

<sup>3</sup> This figure includes salary up to July 2016 and severance payment (£16,877).

Pensions are paid from the CF to former Prime Ministers, Speakers and Lord Chancellors in accordance with legislation (note 8). The CF does not pay any other expenses or allowances or make any other payments to MPs.

*6bii Payments to Public Office holders*

	2016-17 Salary and FYE £	2015-16 Salary and FYE £
Sir Amyas Morse <sup>1</sup> <i>Comptroller and Auditor General</i>	<b>218,274</b>	216,113
Dame Julie Mellor <sup>2</sup> <i>Parliamentary and Health Service Ombudsman</i>	<b>167,773</b>	158,172
Graham Shields <sup>3</sup> <i>Northern Ireland Chief Electoral Officer (to Jan 2017)</i>	<b>59,158</b>	68,754
Virginia McVea <i>Northern Ireland Chief Electoral Officer (from Feb 2017)</i>	<b>12,936</b>	-
Christopher Graham <sup>4</sup> <i>Information Commissioner (to Jun 2016)</i>	<b>35,000</b>	140,000
Elizabeth Denham <sup>4</sup> <i>Information Commissioner (from Jul 2016)</i>	<b>98,602</b>	-
Lord Michael Bichard <sup>1</sup> <i>Chair of the National Audit Office</i>	<b>40,000</b>	40,000
Jenny Watson <sup>5</sup> <i>Electoral Commission Chair (to Dec 2016)</i>	<b>72,622</b>	103,103
Sir John Holmes <sup>5</sup> <i>Electoral Commission Chair (from Jan 2017)</i>	<b>17,425</b>	-
Anna Carragher <sup>5</sup> <i>Electoral Commissioner (fee based)</i>	<b>14,021</b>	13,493
John McCormick <sup>5</sup> <i>Electoral Commissioner (fee based) (to Dec 2016)</i>	<b>15,702</b>	21,629
Dame Sue Bruce <sup>5</sup> <i>Electoral Commissioner (fee based) (from Jan 2017)</i>	<b>2,431</b>	-
David Howarth <sup>5</sup> <i>Electoral Commissioner (fee based)</i>	<b>6,919</b>	8,130
Anthony Hobman <sup>5</sup> <i>Electoral Commissioner (fee based)</i>	<b>6,726</b>	10,348
Lord John Horam of Grimsargh <sup>5</sup> <i>Electoral Commissioner (fee based)</i>	<b>6,919</b>	7,577
Gareth Halliwell <sup>5</sup> <i>Electoral Commissioner (fee based) (to Mar 2017)</i>	<b>17,192</b>	18,486
Alasdair Morgan <sup>5</sup> <i>Electoral Commissioner (fee based)</i>	<b>11,962</b>	11,086
Bridget Prentice <sup>5</sup> <i>Electoral Commissioner (fee based)</i>	<b>8,228</b>	8,132
Robert Vincent <sup>5</sup> <i>Electoral Commissioner (fee based)</i>	<b>9,163</b>	2,405
	<b>821,053</b>	827,428

<sup>1</sup> Salary details for the Comptroller and Auditor General and Chair of the NAO are also disclosed in the National Audit Office Annual Report and Accounts. The salary for the C&AG incorporates salary increase backdated to June 2016

<sup>2</sup> Salary details for the Parliamentary and Health Service Ombudsman are also disclosed in the Parliamentary and Health Service Ombudsman Annual Report and Accounts.

<sup>3</sup> Salary incorporates an increase backdated from Aug 2017

<sup>4</sup> Salary details for the Information Commissioner are also disclosed in the Information Commissioner's Annual Report and Financial Statements.

<sup>5</sup> Details of the salary of the Electoral Commission Chair and Electoral Commissioners' fees are also disclosed in the Electoral Commission Annual Report and Accounts.

Pensions are payable from the CF to former Comptrollers and Auditors General, Parliamentary Commissioners, Information Commissioners, Northern Ireland Chief Electoral Officers and Chairs of the Electoral Commission. The pension entitlement at retirement is calculated in accordance with the Principal Civil Service Pension Scheme. Subsequent increases in pensions are paid by the Civil Service Superannuation Vote, not by the CF.

*Notes 7 to 10 below are prepared on an accruals basis; references are given to notes 3 and 6a where there is a direct read across to them.*

## 7. Unfunded pension arrangements

The CF 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 those Members of the European Parliament (MEPs) who had accrued benefits before 2009 or who elected to continue to participate in the European Parliament (UK Representatives) Pension Scheme when EU-wide pension arrangements were set up in 2009. Both schemes are now closed to new members. Pension benefits are based on final pensionable salary and/or career average. The following data for pension liabilities, which are accounted for as unfunded defined benefit arrangements, is in accordance with IAS 19 *Employee Benefits*. The liabilities are measured on an actuarial basis using the Projected Unit Credit Method and discounted using the rate advised by HM Treasury. Actuarial gains and losses are recognised in full as they occur.

### 7a Actuarial assessment assumptions

Full actuarial assessments were performed by the Government Actuary's Department for the Royal Household Pension Scheme as at 31 March 2014 and European Parliament (UK Representatives) Pension Scheme as at 30 September 2014. The actuary rolled forward the results to determine the approximate positions as at 31 March 2017. The major assumptions used by the actuary for both schemes are shown below with the only exception of Royal Household Pension Scheme which assumes that the salaries of serving active members in the scheme are to increase by 1% per annum from 2015-16 to 2019-20 and by 4.55% per annum from 2020-21.

	At March 2017 % per annum	At March 2016 % per annum
Rate of increase in salaries	4.55	4.20
Discount rate	2.80	3.60

### ***Life Expectancy***

The assumed life expectancy at age 65 of MEP pensioners retiring in normal health was as follows:

	At 31 March 2017		At 31 March 2016	
	Men (years)	Women (years)	Men (years)	Women (years)
Current pensioners	25.3	26.9	25.2	26.8
Future pensioners	25.9	27.4	25.8	27.3

The assumed life expectancy at age 60 of Royal Household pensioners retiring in normal health was as follows:

	At 31 March 2017		At 31 March 2016	
	Men (years)	Women (years)	Men (years)	Women (years)
Current pensioners	29.0	30.8	28.9	30.7
Future pensioners	31.2	33.0	31.1	32.8

Two further assumptions were used by the actuary for the Royal Household Pension Scheme:

	At 31 March	At 31 March
	2017	2016
	% per annum	% per annum
Rate of increase in pension payments	2.55	2.20
Inflation assumption	2.55	2.20

The assumed nominal rate of salary growth is 1% a year for the next three years and 4.55% a year thereafter. Similar assumptions were not necessary for the MEPs' scheme as increases to pension benefits arising from inflation for deferred members and pensioners are disclosed in the Civil Service Superannuation Annual Report & Account rather than the Consolidated Fund.

### ***7b 2016-17 Expenditure and income***

	RH	MEPs	2016-17	2015-16
	£'000	£'000	£'000	Total £'000
<b>Expenditure</b>				
Current service costs (including member contributions)	800	92	892	1,135
Interest on scheme liability	3,477	1,242	4,719	5,006
<b>Total expenditure</b>	<b>4,277</b>	<b>1,334</b>	<b>5,611</b>	<b>6,141</b>

### ***Income***

Pension contributions receivable			
Employers' contributions	562	-	562
Employees' contributions	152	31	183
<b>Total income</b>	<b>714</b>	<b>31</b>	<b>745</b>
<b>Net expenditure</b>	<b>3,563</b>	<b>1,303</b>	<b>4,866</b>
			5,303

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*7c Movement in liabilities during the year*

	RH £'000	MEPs £'000	Total £'000	2015-16 Total £'000
Scheme Liability at beginning of the year	(98,464)	(35,340)	(133,804)	(143,686)
Current service cost	(647)	(61)	(708)	(934)
Employee contributions	(152)	(31)	(183)	(201)
Net individual pension transfers-out	-	-	-	-
Benefit payments	4,583	1,892	6,475	6,517
Other finance charges – interest	(3,477)	(1,242)	(4,719)	(5,006)
Total	(98,157)	(34,782)	(132,939)	(143,310)
Actuarial gain / (loss) (note 7e)	(18,725)	(3,902)	(22,627)	9,506
Liability at end of year	<b>(116,882)</b>	<b>(38,684)</b>	<b>(155,566)</b>	<b>(133,804)</b>

The liability at the end of the year is based on actuarial assessments as at 31 March 2017. The change in liabilities is mainly due to the change in the financial assumptions used.

*7d Analysis of pension benefits paid by the Consolidated Fund*

This table provides details of cash payments made by the CF in relation to Royal Household and MEPs' pensions as disclosed above. The pension increase element of MEPs' pensions is disclosed in the Civil Service Superannuation Annual Report & Account.

	RH £'000	MEPs £'000	Total £'000	2015-16 Total £'000
Total pension paid	3,991	2,236	6,227	6,003
Commutation and lump sum benefits	597	227	824	1,087
Net individual pension transfers-out	-	-	-	-
<b>Total pension benefits paid</b>	<b>4,588</b>	<b>2,463</b>	<b>7,051</b>	<b>7,090</b>
Less: increase element of MEPs' pensions disclosed in the Civil Service Superannuation Annual Report & Account	-	(571)	(571)	(567)
<b>Total borne by the Consolidated Fund (note 6a)</b>	<b>4,588</b>	<b>1,892</b>	<b>6,480</b>	<b>6,523</b>

*7e Analysis of actuarial gains/(losses) on unfunded pension schemes*

	RH £'000	MEPs £'000	Total £'000	2015-16 Total £'000
Gain / (loss) arising on scheme liabilities	821	(45)	776	3,030
Changes in assumptions underlying the present value of liabilities	(19,546)	(3,857)	(23,403)	6,476
<b>Total</b>	<b>(18,725)</b>	<b>(3,902)</b>	<b>(22,627)</b>	<b>9,506</b>

## 8. Other pensions

In addition to the pensions described in note 7, the CF also makes payments in relation to (i) pensions in respect of judicial services; (ii) Civil List pensions; and (iii) pensions for Parliamentary Officers for political and civil services provided. IAS 19 disclosures have not been provided for these payments either because they are reported in a separate account or because they are not material to the CF.

**Pensions for judicial services** – Liabilities in respect of this scheme are included in the Judicial Pension Scheme Annual Report & Account. Payments from the CF in respect of this scheme in 2016-17 amounted to £75.1 million (£69.3 million in 2015-16). These include pension payments made in respect of former Lord Chancellors.

**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. In total, a sum of £142,000 was paid from the CF in 2016-17 in respect of these pensions (£138,000 in 2015-16). This is not material to the CF.

**Pensions for Parliamentary Officers for political and civil services provided** - Relate to pensions for former Prime Ministers, Speakers, Comptrollers and Auditors General, Parliamentary Commissioners, Information Commissioners, Northern Ireland Chief Electoral Officers and Chairs of the Electoral Commission. In total a sum of £549,000 was paid from the CF in 2016-17 in respect of these pensions (£495,000 in 2015-16) and is not material to the CF.

	2016-17			2015-16		
	Former political office holders or surviving dependents	Other former office holders or surviving dependents	Total	Former political office holders or surviving dependents	Other former office holders or surviving dependents	Total
Number of pensioners	8	13	21	7	11	18
Pension paid from CF (£'000)	292	257	549	257	238	495

The actuarial liability falling on the CF across all these schemes has been assessed at £9.6 million at 31 March 2017 - £1.4 million attributable to holders of offices as at 31 March 2017 and £8.2 million attributable to former holders of offices or the surviving widows of former office holders (£8.6 million at 31 March 2016 - £2.2 million to office holders at 31 March 2016, £6.4 million to former holders of offices or the surviving widows of former office holders). This also is not material to the CF.

Prior to the Public Service Pensions Act 2013, former Prime Minister, Speaker and Lord Chancellor office-holders were entitled to a pension from the CF. The entitled pension was half of the entitled salary per year irrespective of length of service, payable for life after leaving office. Under the 2013 Act, pension arrangements for office-holders who took up post after 1 April 2015, including the current Prime Minister Theresa May, are no longer being paid from the Consolidated Fund. This is now provided and paid entirely from the Parliamentary Contributory Pension Fund (PCPF). The former Prime Minister David Cameron waived his legislative pension and instead took a pension in line with the terms of the PCPF as did Gordon Brown his immediate predecessor. With the exception of the pension commencement lump sum, any severance payment on leaving office and any death in service benefits, the pension payments received under the terms of the PCPF will be lower than the legislative pension that has been waived. The payments will be made from the CF.

The pension entitlement at retirement for other public office holders is calculated in accordance with the Principal Civil Service Pension Scheme rules and will be paid by the CF. Subsequent increases in pensions are paid by the Civil Service Superannuation vote, not by the CF.

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The following public office holders who held posts during the year will become entitled to a pension payable from the CF.

	Total accrued pension at age 65 at 31 March 2017 or end date	Real increase in pension at age 65	CETV at 31 March 2017 or end date	CETV at 31 March 2016 or start date	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
The Rt Hon David Cameron MP <i>Former Prime Minister (to Jul 16)</i>	15 – 20	0 – 2.5	236	230	3
The Rt Hon John Bercow MP <i>Speaker – House of Commons</i>	35 – 40	0 – 2.5	923	927	-
Sir Amyas Morse <sup>1</sup> <i>Comptroller and Auditor General</i>	n/a	n/a	n/a	n/a	n/a
Dame Julie Mellor <i>Parliamentary and Health Service Ombudsman</i>	15 – 20	2.5 – 5.0	316	249	46
Christopher Graham <i>Former Information Commissioner</i>	20 - 25	0 - 2.5	408	408	-
Elizabeth Denham <i>Information Commissioner</i>	0 - 5	0 - 2.5	33	-	26
Graham Shields <i>Former Northern Ireland Chief Electoral Officer</i>	5 - 10	0 - 2.5	137	116	13
Virginia McVea <i>Northern Ireland Chief Electoral Officer</i>	0 - 5	0 - 2.5	3	-	2
Jenny Watson <sup>2</sup> <i>Former Senior Electoral Commissioner</i>	20 - 25	0 - 2.5	318	296	14
Sir John Holmes <sup>3</sup> <i>Senior Electoral Commissioner</i>	n/a	n/a	n/a	n/a	n/a

<sup>1</sup> Sir Amyas Morse has waived the pension due to him as Comptroller and Auditor General

<sup>2</sup> CETV at 31 March 2016 has been updated to include added pension and pension accrued from linked salary benefits compared to figures published in 2015-16.

<sup>3</sup> Sir John Holmes, the current Senior Electoral Commissioner, is not entitled to a pension payable from the CF.

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are a member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV payment is made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. This disclosure is provided for completeness purposes only as the pensions payable from the CF are not transferable. The real increase in CETV excludes the effects of inflation and contributions paid by the member and uses common market valuation factors for the start and end of the period.

## 9. Coinage issued and redeemed

Amounts received by the Royal Mint from banks and other financial institutions for the face value of coins issued is payable to the CF and the face value of coins redeemed by the Royal Mint is a charge on the CF. The cost of minting the coinage is reported in the Treasury's Annual Report & Accounts.

Sums due to the Consolidated Fund:

	Notes	2016-17 £m	2015-16 £m
<b>Balance at 1 April</b>		<b>15</b>	13
Coin issued		<b>458</b>	303
Cash received by Consolidated Fund	3	(227)	(300)
Coin redeemed		(155)	(44)
Cash paid by Consolidated Fund	6a	<b>148</b>	43
<b>Balance at 31 March</b>		<b>239</b>	15

The increase in the cash paid by CF and coins redeemed compared with 2015-16 is due to CF funding the coinage account for redemptions payments of coins (primarily old £1 coin) withdrawn from circulation.

## 10. Investments

### 10a European Investment Bank

Section 2 paragraph 3 of the European Communities Act 1972 provides for payments in respect of the capital or reserves of the European Investment Bank (the 'EIB'), or in respect of loans to the European Investment Bank, to be made from the CF.

The UK's interest in the EIB is a non-current 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 of the EIB 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 16.11 per cent share of subscribed capital, was worth €10,661,587,000 as at 31 December 2016 as reported in the EIB's latest (31 December 2016) financial statements (16.11 per cent worth €10,201,389,000 at 31 December 2015). The sterling equivalent as at 31 March 2017 is £9,118 million at an exchange rate of £/€ 1.1694 (£8,086 million at £/€ 1.2616 at 31 March 2016). As at 31 December 2016, the UK's subscribed capital was €39,195 million, comprised of paid-in capital of €3,496 million and €35,699 million of the Bank's callable capital. Further details can be found in the Parliamentary accountability and audit report.

Following the referendum in June 2016 at which the United Kingdom voted to leave the European Union and the notification of the European Council in accordance with Article 50 of the Treaty on European Union of the UK's intention to withdraw from the EU in March 2017, the UK remains a member of the EIB as at 31 March 2017 while it is a member of the European Union. The long-term relationship between the UK and the EIB will need to be resolved as part of the UK's withdrawal from the EU.

	2016-17 £m	2015-16 £m
<b>European Investment Bank</b>		
<b>At 1 April</b>	<b>8,086</b>	7,060
Change due to exchange rate movements	638	674
Change due to increase in EIB net assets	394	352
<b>At 31 March</b>	<b>9,118</b>	8,086

*10b 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 CF.

	2016-17 £m	2015-16 £m
<b>Land Registry Public Dividend Capital</b>		
<b>At 31 March</b>	<b>62</b>	62
<b>Total Non-current investments at the end of the year</b>	<b>9,180</b>	<b>8,148</b>

**11. Events after the Reporting Period**

There are no events after the reporting period to report.

**12. Related Parties**

The CF has transactions with most government departments and central government bodies. The Treasury has a custodian role with the CF which is outside the scope of IAS 24.

**13. Date of Authorisation for Issue of Account**

The Accounting Officer authorised these financial statements for issue on 11 July 2017.



## **HM Treasury contacts**

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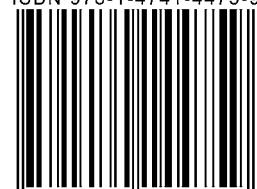
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ISBN 978-1-4741-4475-9



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