

# Seventh report on euro preparations

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November 2003



HM TREASURY





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Seventh report on  
**euro preparations**

November 2003

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Electronic copies of this publication, and other publications relating to euro preparations, including the third outline National Changeover Plan, are available on the Government's euro website:

**[www.euro.gov.uk](http://www.euro.gov.uk)**

Alternative formats of this document are available on request. If you require a larger print version, please contact the Public Enquiry Unit on +44 (0) 20 7270 4558. The executive summary can be made available on request in Braille and in Welsh.

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# Foreword by Ruth Kelly, MP

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I am delighted to present the Seventh report on euro preparations. This report sets out the progress that has been made in preparing the UK economy for possible future entry to Economic and Monetary Union (EMU), since the Chancellor's statement to Parliament on 9 June 2003.

The initial response to the third outline National Changeover Plan, published on 9 June 2003, has been encouraging – the proposed overall approach to a changeover has been welcomed across the economy. I would urge organisations that have not yet considered the issues to become familiar with the outline National Changeover Plan. Working through the new preparations committees in Scotland, Wales and Northern Ireland, the Government is now extending the consultation in order to ensure that all sectors of the economy have the opportunity to consider the issues involved in preparing for a possible future changeover to the euro.

This Seventh report on euro preparations sets out the steps we are taking to support organisations to achieve an appropriate level of preparation. I am confident that, with appropriate early planning, the UK could deliver a smooth and cost-effective changeover, should Government, Parliament and the people, in a referendum, all agree that it would be in the national economic interest for the UK to join EMU.

A handwritten signature in black ink that reads "Ruth Kelly".

**RUTH KELLY, MP**  
**Financial Secretary to the Treasury**





# Executive summary



## UPDATE ON EURO PREPARATIONS

**1.1** On 9 June 2003, the Chancellor of the Exchequer made a statement to Parliament on UK membership of Economic and Monetary Union and published the Treasury's assessment of the five economic tests. The assessment sets out the real benefits to Britain of membership of the single currency, shows that with the achievement of sustainable convergence and flexibility all five tests could and can be met, and lays down the concrete and practical steps which the Government will follow. The Government will report on progress in the Budget next year. The Government can then consider the extent of progress and determine whether a further Treasury assessment of the five tests should be made which – if positive next year – would at that time allow the Government to put the issue before the British people in a referendum.

**1.2** Following the Chancellor's statement on 9 June 2003, four new members have joined the Standing Committee on Euro Preparations. The new representation for consumers, the voluntary sector, local government and regional bodies reflects a stepping up of euro preparations across the economy. The Standing Committee in its new format met for the first time on 23 October. The membership of the Standing Committee is at Annex A.

**1.3** New preparations committees have been established for Scotland, Wales and Northern Ireland. These committees have met at least once, and contributions from each committee are included in this report. The committees have a similar structure to the Standing Committee, with some differences to reflect the economy in each of the devolved administrations and regions. Membership of the new committees is at Annex A.

**1.4** On 9 June 2003, the Chancellor announced that there would be paving legislation to allow departments to make further, targeted investments in euro preparations. The Debt Management Office will receive authority to incur expenditure on euro preparations in the next Finance Bill.

**1.5** As announced by the Chancellor on 9 June 2003, local authority guidance has been issued jointly by the Treasury and the Office of the Deputy Prime Minister, in conjunction with the Local Government Association. An electronic copy of the guidance is available at **[www.euro.gov.uk](http://www.euro.gov.uk)**.

**1.6** The Government has invited stakeholders to submit comments on the third outline National Changeover Plan (oNCP3), published alongside the assessment of the five economic tests on 9 June 2003. Electronic copies are available at **[www.euro.gov.uk](http://www.euro.gov.uk)**, or you can request a published copy by telephone from **08456 010199**.

If organisations or individuals wish to submit comments on oNCP3, please write to:

Changeover Planning  
Euro Preparations Unit  
HM Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ  
or email **[changeover.plan@hm-treasury.gov.uk](mailto:changeover.plan@hm-treasury.gov.uk)**

The formal consultation period will close at the end of January 2004.

### NEW PREPARATIONS COMMITTEES IN SCOTLAND, WALES AND NORTHERN IRELAND

**1.7** The new preparations committees in Scotland, Wales and Northern Ireland have now met at least once. All committees are undertaking local consultation on oNCP3, and initial responses are included in Chapter 3 of this report.

**1.8** The Scottish Executive would be able to meet the timetable set out in oNCP3. The Scottish Executive is in dialogue with NHS Scotland and local authorities in Scotland to share preparations experience and raise awareness.

**1.9** The Welsh Assembly Government would be able to meet the timetable set out in oNCP3. The National Assembly for Wales and the financial sector in Wales have been working with the Treasury for some time and have already given detailed consideration to planning for a changeover. The Welsh Assembly Government and NHS Wales also have procurement policies to ensure euro compatibility in future IT upgrades.

**1.10** The Northern Ireland departments would be able to meet the timetable set out in oNCP3. In Northern Ireland, the Department of Finance and Personnel (DFP) has taken the lead on preparing the public sector for the possibility of the UK joining the euro. Northern Ireland is the only area of the United Kingdom that has a land border with a country in the euro area. There is a lot to learn from the experience of businesses across the border in Ireland, and also from businesses close to the border who trade in both sterling and euro on a regular basis.

### PUBLIC SECTOR PREPARATIONS

**1.11** Central government preparations were well advanced before the Chancellor's announcement on 9 June 2003. All government departments remain confident that they could meet the published timetable for a changeover.

**1.12** Central government departments are now revising their plans in line with the new planning certainties published in oNCP3. Once revised plans are in place, departments will subject them to external verification. This will usually be carried out under the Office of Government Commerce (OGC) Gateway process.

**1.13** Local authority guidance, published on 17 June 2003, strongly advises local authorities to begin planning work now. In common with the rest of the public sector and the wider economy, local authorities should consider euro issues as part of their normal business planning and risk management processes.

**1.14** A group of local authorities is working with the Treasury to produce changeover plans.

**1.15** IT systems are being modernised across government, and e-government services are being introduced. As part of this modernisation, euro compatibility is being built into all new or upgraded systems where this represents value for money, in line with the Prime Minister's statement in February 1999.

**1.16** Following the Chancellor's announcement on 9 June 2003, the Treasury set up an IT Managers' Group (ITMG) to provide a strategic analysis of the state of IT preparations across the public sector, and to assess, monitor and manage risks arising from a possible euro changeover.

## PRIVATE SECTOR PREPARATIONS

**1.17** Many organisations in the financial services sector are well advanced in their euro preparations. Some now consider that their first-stage euro preparations are complete, and are keeping their programmes under review to ensure institutional memory is retained. The Treasury continues to work with the sector as a whole to maintain the current high level of preparedness.

**1.18** The Treasury continues to work closely and productively with the retail banking sector, through regular bilateral meetings and working groups. Current work includes helping to take the Managed Transition Plan (MTP), published as part of oNCP3, to the next level of detail. Following further extensive consultation with stakeholders, an updated version of the MTP will be made available in the first half of 2004.

**1.19** Planning across the insurance industry is progressing well. The Association of British Insurers (ABI) is developing the UK Insurance Industry Outline Euro Guidance Document. Working with industry representatives, the Treasury continues to monitor the state of preparedness.

**1.20** Preparations in the retail sector are also progressing and the British Retail Consortium continues to work closely with the Treasury to develop further planning across the sector. Alongside other key stakeholders, retailers are helping to develop the Managed Transition Plan and to build the impact of other major initiatives such as 'Chip and PIN' into planning work. The Treasury will also consult with the sector on the remit for the Cash Changeover Working Group, which would be established in the event of a UK changeover.

**1.21** In a possible future UK changeover, utility companies would have an important role to play in maintaining consumer confidence and in communicating with vulnerable groups. The Treasury continues to work with the sector to consider these issues in the light of the announcement of 6 April in the relevant year as the Government's preferred choice for the date of introduction of euro cash (E day).

**1.22** The majority of businesses in other sectors, and small- and medium-sized enterprises (SMEs) in all sectors are unlikely to need to undertake detailed practical preparations before a possible future Government decision to recommend UK membership of EMU. However, businesses should remain informed. They need to be aware of the changeover timetable, know what the Managed Transition Plan means for them and, where appropriate, build this information into their business planning. In particular, businesses should consider building euro compatibility into their investment decisions where this represents value for money. Many manufacturers and other businesses who have links with the euro area have already considered these issues in response to the introduction of the euro in the euro area. Businesses that have not yet considered the issues are encouraged to do so.

**1.23** As part of the process of wider consultation on the Managed Transition Plan, the Treasury is stepping up and extending engagement with key sectors and organisations, working through the new preparation committees to include relevant organisations in Scotland, Wales and Northern Ireland.

### WHOLESALE FINANCIAL MARKETS

**1.24** Since the publication of oNCP3 on 9 June 2003, the Bank of England (the Bank) has continued to co-ordinate preparations across the wholesale financial markets for possible UK entry into EMU through the City Euro Group, a representative body of City market associations and financial institutions, which meets at regular intervals.

**1.25** For example, if the UK were to join EMU, domestic legislation would be needed to facilitate the redenomination of bonds and company share capital. The City Euro Group has drafted a paper, published in full in Chapter 6 of this report, which is provided as a basis for consultation with market practitioners and legal experts. Privately-owned companies may also find this useful.

Comments on the City Euro Group's consultation paper should be sent, by 27 February 2004, to:

Alan Barnes  
Secretary of the City Euro Group  
Bank of England  
Threadneedle Street  
London  
EC2R 8AH  
**alan.barnes@bankofengland.co.uk**

### COMMUNICATION AND CONSUMER PROTECTION

**1.26** In oNCP3, the Treasury published three draft codes of practice: for retailers, transport operators and the public sector. Comments on these draft codes would be welcome. Draft codes of practice will now be developed for the financial sector, utilities, the hospitality sector and the vending machine industry.

**1.27** The Treasury has established a Consumers' Group which met in November 2003, including consumer representatives, industry bodies and regulators, to discuss consumer issues connected with a potential changeover.

**1.28** The majority of central government departments have communication plans in place that could be implemented at a future Government decision to join EMU. Outside central government, communication planning is particularly advanced in the retail banking sector. Local authorities have been advised to consider communication as part of their overall euro preparations. The Treasury will review these communication plans individually with partners over the coming months. Communication planning is included within the Gateway review process.

**1.29** In March 2003 the Treasury established the Vulnerables Working Group to undertake further work on the communication needs of vulnerable groups. The group includes representatives from organisations experienced in working with groups who might experience specific problems during a changeover.

**1.30** The Treasury will produce an Integrated Communication Plan (ICP) by summer 2004. The ICP will complement the Managed Transition Plan, and will facilitate the co-ordination of communication planning across the UK economy.



# 2 Update on euro preparations



## Euro preparations since 9 June 2003

On 9 June 2003, the Chancellor of the Exchequer made a statement to Parliament on UK membership of Economic and Monetary Union and published the Treasury's assessment of the five economic tests.

The assessment sets out the real benefits to Britain of membership of the single currency, shows that with the achievement of sustainable convergence and flexibility all five tests could and can be met, and lays down the concrete and practical steps which the Government will follow.

The Government will report on progress in the Budget next year. The Government can then consider the extent of progress and determine whether a further Treasury assessment of the five tests should be made which – if positive next year – would at that time allow the Government to put the issue before the British people in a referendum.

The Chancellor made a number of announcements on 9 June 2003, reflecting a stepping up of euro preparations:

- the Chancellor's Standing Committee on Euro Preparations would be expanded to include representatives of consumers, the voluntary sector, local government and regional bodies;
- the Secretaries of State for Scotland, Wales and Northern Ireland would be invited to establish new preparations committees;
- local authority guidance would be published;
- paving legislation would be introduced to allow central government departments to invest as necessary in euro preparations; and
- a further report on euro preparations (this report) would be published in autumn 2003.

This report is the seventh in a sequence of reports on euro preparations published regularly since 1997. Copies of previous reports are available on the Government's euro website, [www.euro.gov.uk](http://www.euro.gov.uk).

This Seventh report on euro preparations sets out:

- progress in euro preparations since the Chancellor's statement on 9 June 2003;
- an interim summary of the responses to the third outline National Changeover Plan; and
- an outline of the forward work programme to be delivered by the Euro Preparations Unit (EPU) in the Treasury, working with the new preparations committees and stakeholders from across the UK economy.

## 2 Update on euro preparations

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.....  
Government policy on UK membership of EMU is set out in the Treasury's assessment of the five economic tests, published on 9 June 2003

### GOVERNMENT POLICY ON UK MEMBERSHIP OF EMU

2.1 On 9 June 2003, the Chancellor of the Exchequer made a statement to Parliament on UK membership of Economic and Monetary Union and published the Treasury's assessment of the five economic tests. Eighteen detailed supporting studies and the third outline National Changeover Plan (oNCP3) were published alongside the five tests assessment.

2.2 The assessment sets out the real benefits to Britain of membership of the single currency, shows that with the achievement of sustainable convergence and flexibility all five tests could and can be met, and lays down the concrete and practical steps which the Government will follow – radical steps which set out a new direction for reform, steps which set out the clear path ahead for Britain. At all times the Government has and will put stability and the national economic interest first. The five economic tests remain central to a decision on whether joining EMU would be in the national economic interest.

2.3 The Government will report on progress in the Budget next year. The Government can then consider the extent of progress and determine whether a further Treasury assessment of the five tests should be made, which – if positive next year – would at that time allow the Government to put the issue before the British people in a referendum.

### STANDING COMMITTEE ON EURO PREPARATIONS

.....  
The Standing Committee has been expanded to reflect a stepping up of preparations across the economy

2.4 Following the Chancellor's statement on 9 June 2003, four new members have joined the Chancellor's Standing Committee on Euro Preparations, representing consumers, the voluntary sector, local government and regional bodies. The new and enlarged membership reflects a stepping up of euro preparations across the economy. The committee in its new format met for the first time on 23 October 2003. The membership of the Standing Committee is at Annex A.

### NEW PREPARATIONS COMMITTEES

.....  
New preparations committees have been established in Scotland, Wales and Northern Ireland

2.5 New preparations committees have been set up in Scotland, Wales and Northern Ireland. These committees have met at least once, and contributions from each committee are included in this report. The committees have a similar structure to the Standing Committee, with some differences to reflect the economy in each of the devolved administrations and regions. Membership of the new committees is at Annex A.

2.6 Each of the committees is headed by the relevant Secretary of State. The committees are run in close co-operation with the devolved administrations, reflecting the excellent working relationship between the UK Government and the devolved administrations on euro preparations.

## PAVING LEGISLATION

2.7 In his Statement to Parliament on 9 June 2003, the Chancellor announced that there would be paving legislation to allow departments to make further, targeted investments as necessary for euro preparations. The Debt Management Office will receive authority to incur expenditure on euro preparations in the next Finance Bill.

## LOCAL AUTHORITY GUIDANCE

2.8 On 9 June 2003, the Chancellor also announced the publication of local authority guidance on euro preparations. This was issued jointly by the Treasury and the Office of the Deputy Prime Minister on 17 June 2003, in conjunction with the Local Government Association. An electronic copy of the guidance is available at [www.euro.gov.uk](http://www.euro.gov.uk).

2.9 The guidance has been welcomed by local authorities. A group of local authorities is working closely with EPU to develop changeover plans. Further detail is given in Chapter 4, Public and voluntary sector preparations.

## CONSULTATION ON THE THIRD OUTLINE NATIONAL CHANGEOVER PLAN

2.10 The Government has invited stakeholders to submit comments on oNCP3, published alongside the Treasury's assessment of the five economic tests on 9 June 2003. Electronic copies are available at [www.euro.gov.uk](http://www.euro.gov.uk), or you can request a published copy by telephone from **08456 010199**.

2.11 Since 9 June 2003, EPU has held extensive meetings with key stakeholders from across the economy to discuss oNCP3, and to receive feedback. These meetings are continuing over the coming months, and will be extended to bring in new contacts, particularly from the private and voluntary sectors.

2.12 An interim summary of the comments received to date is included in each chapter of this report. If organisations or individuals would like to submit comments on the third outline National Changeover Plan, please write to:

Changeover Planning  
HM Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ  
or email [changeover.plan@hm-treasury.gov.uk](mailto:changeover.plan@hm-treasury.gov.uk)

The formal consultation period will close at the end of January 2004.

.....  
The Debt Management Office will receive authority to invest in euro preparations

.....  
Local authority guidance has been issued

.....  
This report presents an interim summary of comments received on the third outline National Changeover Plan



# 3 Reports from new preparations committees



## New preparations committees in Scotland, Wales and Northern Ireland

On 9 June 2003, the Chancellor invited the Secretaries of State for Scotland, Wales and Northern Ireland to establish new preparations committees.

The role of each committee is to:

- oversee the work on euro preparations;
- raise awareness of preparations issues;
- ensure co-ordination and co-operation between key sectors;
- consult on the third outline National Changeover Plan; and
- feed back particular views and issues to the Chancellor's Standing Committee on Euro Preparations (the Secretaries of State for Scotland, Wales and Northern Ireland are members of the Standing Committee).

The committees have a similar structure to the Standing Committee, with representatives from the public, private and voluntary sectors. Each committee is headed by the relevant Secretary of State. All three committees have met: Scotland on 2 September 2003, Wales on 28 July 2003 and 25 September 2003, and Northern Ireland on 11 September 2003.

The membership of the new preparations committees is at Annex A.

## SCOTLAND

3.1 The Scottish Euro Preparations Committee (SEPC) was set up under the chairmanship of the Secretary of State for Scotland, joined by the First Minister of the Scottish Executive, to examine local, regional and sectoral preparations in Scotland and to consult on the Government's third outline National Changeover Plan (oNCP3). SEPC membership is drawn from representatives of the public, private and voluntary sectors to ensure that views from across the Scottish economy are represented and reported to the Chancellor's Standing Committee on Euro Preparations. SEPC first met on 2 September 2003.

### Euro preparations in Scotland

3.2 The Scottish Executive has worked with the Euro Preparations Unit (EPU) in the Treasury on changeover planning, and would be able to meet the outline timetable indicated in oNCP3. In particular:

- the Scottish Executive has completed an internal conversion exercise to assess the status of its IT systems;
- audits of business systems have been undertaken to review changeover requirements, prepare contingency plans and take any actions to reduce cost and risk;

.....  
The Scottish Euro Preparations Committee met on 2 September

## 3 Reports from new preparations committees

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- procurement guidance requires public sector organisations to include euro compatibility in upgrades or purchases of IT systems;
- there is a network of euro co-ordinators and IT groups across core departments; and
- there has been a series of internal seminars to co-ordinate and monitor planning activity.

3.3 The Scottish Executive is in dialogue with NHS Scotland and local authorities in Scotland to share preparations experience and raise awareness. Edinburgh City Council has secured funding from the European Commission 'Euro Aware' project, and shared their preparations and awareness activities at a seminar open to all 32 Scottish local authorities.

### Box 3.1

#### Best practice in euro preparations: Historic Scotland

Historic Scotland has conducted a review of all business areas to identify both IT and manual systems which would be affected by the introduction of the euro. Particular attention has been given to systems which have a public interface. A Euro Working Group has been set up, and representatives appointed for each area to plan and deliver change if required.

Examples of euro preparations to date include:

- as part of the normal replacement programme, tills at visitor sites are being upgraded: this will be completed by the end of 2003. The new tills offer full functionality for dual pricing. In the event of a changeover, dual display before the introduction of euro cash (E day) would help customers to become familiar with the new currency;
- the finance system has been reviewed. It originates from Ireland and operated effectively in Ireland throughout the euro changeover. Euro functionality will be incorporated into the HS system as part of the planned 2004 upgrades;
- euro functionality has been considered as part of ongoing investment in the IT systems which support the tourism and membership business; and
- as part of the planned upgrades for the finance system, multi-currency functionality will be introduced. This will permit customers to be invoiced in euro. This has been introduced in recognition of a business need to consider European customers and complements the decision to accept euro at monuments.

### Issues of special relevance to Scotland

3.4 At the first meeting of SEPC, particular comments raised in relation to Scottish issues included:

- the treatment of remote locations in Scotland, such as the Highlands and Islands;

- ensuring joined up communication from all interested parties;
- ensuring that the particular needs of the Scottish legal system are taken into account; and
- for areas where there is a need for a clear UK direction (for example, retail businesses) ensuring that the planning and preparation material is consistent across the UK regardless of location.

### Response to consultation on third outline National Changeover Plan

3.5 Comments on oNCP3 to date include the following points:

- oNCP3 is a very detailed planning document and more flexible information materials would assist consultation across the economy, particularly practical advice for smaller businesses;
- the retail industry operates across the UK and the adoption and application of the draft consumer code in Scotland should be consistent with that adopted across the UK;
- supporting consumers, particularly vulnerable groups, would be critical given the perception of price rises in the euro area;
- guidance for companies purchasing new software and IT equipment would help ensure that euro compatibility is built into euro compatible procurement planning;
- the financial sector and larger businesses appear to be well prepared. However, medium-sized businesses may not have considered the issues and the Government's communication strategy should reflect this;
- the voluntary approach to consumer codes was welcomed;
- trade unions could play an important role in disseminating information to members directly and through networks;
- early preparations would be important, particularly in relation to contracts and purchasing; and
- committee members are willing to assist in informing the business community and noted that reaching smaller businesses, especially those in remoter parts of Scotland, would be important.

### Future work programme

3.6 A number of areas for further work were identified by SEPC:

- communications would be critical: further consideration should be given to addressing the needs of vulnerable communities and smaller businesses. Supporting consumers would also be important: draft sectoral consumer codes should continue to be developed;

## 3 Reports from new preparations committees

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- SEPC members would take further soundings from their sectors on oNCP3, and put forward specific actions for Government and the public sector to consider; and
- the next meeting of SEPC will take place in early 2004.

### WALES

.....  
**The Wales Euro Preparations Committee met on 28 July and 25 September 2003**

**3.7** The Wales Euro Preparations Committee (WEPC) was set up under the chairmanship of the Secretary of State for Wales to examine local, regional and sectoral preparations in Wales and to consult on the Government's third outline National Changeover Plan (oNCP3). The Secretary of State invited the Assembly First Minister to join him in this work. The membership of the committee mirrors the structure of the Chancellor's Standing Committee on Euro Preparations, drawing together representatives from across the Welsh economy.

**3.8** WEPC welcomed the recognition of regional diversity in the establishment of the new euro preparations committees and the opportunity to comment on oNCP3. The first meeting of the committee was held on 28 July 2003; the second meeting was held on 25 September 2003.

### Euro preparations in Wales

**3.9** The National Assembly for Wales and the financial sector have been working with EPU and have given detailed consideration to planning for a changeover. The National Assembly for Wales and NHS Wales have procurement policies that should ensure euro compatibility in future IT upgrades for financial systems.

**3.10** The Welsh Assembly Government would be able to meet the timetable set out in oNCP3. Recent progress in changeover planning includes:

- an update of the Welsh Assembly Government Changeover Plan;
- appointment of euro co-ordinators in key Welsh Assembly Government divisions;
- production of a draft communication plan;
- discussion of Welsh language policy for changeover communication with EPU; and
- engagement with Assembly Sponsored Public Bodies (ASPBs) on euro changeover issues.

**3.11** A number of organisations in Wales, particularly smaller businesses, have not considered the euro in their business planning. Consultation on oNCP3 through the committee has already prompted many to consider changeover planning for the first time.

## Issues of special relevance to Wales

**3.12** The committee has highlighted a number of specific communication issues relevant to Wales:

- there would be a need for Welsh language materials. All Welsh media channels (including TV, radio and press) would need to be involved at an early stage. Technical, financial and business literature could be predominantly in English with translations of executive summaries provided for major documents only. The National Assembly for Wales would work closely with a future Euro Changeover Secretariat (a body that would be set up to co-ordinate a future changeover) on this issue;
- the majority of businesses in Wales are micro-businesses, employing fewer than ten people. A communication strategy to support business preparations in Wales would need to reflect this;
- organisations representing the voluntary sector, consumers and vulnerable groups have emphasised the importance of communicating with harder-to-reach audiences. There would be a need to work together to provide the best support for vulnerable groups. Such organisations include health authorities, local authorities, Citizens Advice, Jobcentres, post offices and the voluntary and community sector;
- in some areas, most notably Cardiff and many parts of South Wales, there would also be a need for literature in a range of other languages; and
- a communication strategy for Wales would need to recognise that the effective delivery of any message to rural areas might require a different approach from one that would work in urban areas.

## Response to consultation on third outline National Changeover Plan

**3.13** WEPC welcomed the recognition of regional diversity in the establishment of the new euro preparations committees and the opportunity to comment on oNCP3.

**3.14** In summary, oNCP3 was regarded as detailed, well structured, comprehensive and informative, providing good coverage of issues that are appropriate for consideration at this stage.

**3.15** Key points submitted by WEPC in response to oNCP3 are:

- consultation highlighted the range of issues for consideration in planning for a changeover, and prompted some organisations to consider these issues for the first time;
- WEPC members recognised a role for their organisations in supporting preparations, and some identified additional organisations whose involvement may be appropriate – for example, more detailed consideration should be given to the voluntary and community sector, particularly in relation to communication to vulnerable groups;

## 3 Reports from new preparations committees

- a number of issues for consideration in a communication strategy for Wales were identified, including the need for Welsh language materials and reaching specific audiences such as older people and smaller businesses, particularly in rural areas. Co-ordinated communication would be critical and all sectors would have a role to play;
- the draft consumer code and measures to support consumers and vulnerable groups were broadly welcomed, but further consideration needs to be given to the strategy for supporting consumers in a changeover; and
- further detail is needed from the public sector on transitional service propositions to facilitate individual organisations' changeover planning.

### Future work programme

3.16 The following areas of further work have been identified:

- WEPC will prepare an account of all the feedback received on oNCP3, for submission to the Standing Committee;
- the Wales Council for Voluntary Action and the Welsh Consumer Council will consult more widely on issues for vulnerable groups and will report back for the next committee meeting; and
- the next meeting of WEPC will take place in early 2004.

### Box 3.2

#### Reaching communities through voluntary sector organisations: Wales Council for Voluntary Action

The Wales Council for Voluntary Action (WCVA) promotes the interests of voluntary organisations, community groups and volunteering in Wales. It has over 900 organisations in direct membership and is in contact with thousands more through national and regional voluntary sector networks. There are at least 30,000 voluntary organisations in Wales, with a combined income of £630 million, a workforce of 20,000 salaried employees and 1.12 million adults who volunteer either through voluntary organisations or informally. WCVA will continue to work closely with its networks to ensure that there is a strong voluntary and community input into changeover planning.

### NORTHERN IRELAND

3.17 Under Direct Rule, the work of the Northern Ireland Euro Preparations Committee (NIEPC) is being taken forward by the Minister for Europe in Northern Ireland, on behalf of the Secretary of State for Northern Ireland. On the restoration of Devolution, this work will continue in partnership with the First Minister and Deputy First Minister of the Northern Ireland Assembly, who will have responsibility for euro preparations in policy areas under the Assembly's control.

.....  
The Northern  
Ireland Euro  
Preparations  
Committee met on  
11 September 2003

3.18 The committee held its inaugural meeting on 11 September 2003 and is made up of representatives from the private, public and voluntary sectors in Northern Ireland.

### Euro preparations in Northern Ireland

3.19 The Northern Ireland departments would be able to meet the outline changeover timetable as published in oNCP3. The Department of Finance and Personnel (DFP) takes the lead on preparing the public sector for the possibility of the UK joining the euro, and the department participates in the Treasury-led euro preparations groups.

3.20 All Northern Ireland departments are reviewing changeover planning in the light of the further information published in oNCP3.

3.21 The private sector has also considered euro issues, especially in the approach to the introduction of the euro in the euro area. The land border with Ireland gave impetus to this work in Northern Ireland.

### Issues of special relevance to Northern Ireland

3.22 Northern Ireland is the only area of the United Kingdom that has a land border with a country in the euro area. There is a lot to learn from the experience of businesses across the border in Ireland, and also from businesses close to the border who trade in both sterling and euro on a regular basis.

3.23 Northern Ireland has a large rural economy and a significant number of small businesses. It will be important to provide clear communications and support to these sectors, as it will to vulnerable groups and to consumers. The organisations represented on NIEPC will have a key role to play in this area. There is also considerable cross-border tourism and the tourism industry is already providing support to visitors to Northern Ireland.

3.24 A local authority euro preparations group has been set up to consider the implications for that sector in Northern Ireland. Local authorities in Northern Ireland will be encouraged to develop changeover plans.

## Box 3.3

### Local authority preparations in Northern Ireland

In Northern Ireland, central government departments deliver most of the services that are provided by the local authorities in Great Britain. Other services are provided by the 26 District Councils.

In order to ensure that District Councils are actively involved in euro preparations, the Department of the Environment has formed a local authority Euro Preparations Group covering all 26 District Councils. The Northern Ireland Local Government Euro Preparations Working Group is represented on the new Northern Ireland Euro Preparations Committee. This will further ensure consistency of approach on euro preparations across Northern Ireland.

### Response to third outline National Changeover Plan

3.25 The responses to oNCP3 have been generally very positive. While the coverage is thought to be comprehensive and readily understandable, it is a little detailed for small businesses and an abridged version would be welcome. It is felt that there are many lessons to be learned from euro area countries, especially Ireland, and that the UK should monitor consumer issues and learn from best practice. Organisations represented on NIEPC have signalled their willingness to make their communication channels available to disseminate information about the euro.

### Future work programme

3.26 NIEPC has identified the following areas of future work:

- NIEPC members will be consulting their organisations and interest groups on an ongoing basis to ensure that they would be in an appropriate state of euro preparedness, and to bring forward any comments they may have on the euro in order to stimulate debate and assist in future euro preparations;
- The Minister for Europe in Northern Ireland has also undertaken to communicate the importance of euro preparations in Northern Ireland. In addition, NIEPC has asked that the Department of Finance officials in Ireland be invited to give a presentation to the committee on their experience; and
- The next meeting of NIEPC will take place in early 2004.

# 4 Public and voluntary sector preparations



## Progress on euro preparations in the public sector

As the third outline National Changeover Plan makes clear, all central government departments have plans in place to enable them to meet the published changeover timetable. Planning work has been ongoing since 1997, and plans are now well advanced, particularly in the critical path departments (HM Customs and Excise, the Inland Revenue and the Department for Work and Pensions). These three departments would be crucial to a smooth and cost-effective changeover, and their preparations have therefore been more extensive. Preparations across the wider public sector are less advanced. On 9 June 2003, the Chancellor announced a stepping up of preparations across the wider public sector, in particular, work with local authorities. As with central government departments and the rest of the economy, local authorities are strongly advised to consider the euro as part of their routine business planning and risk management. The Treasury and the Office of the Deputy Prime Minister (ODPM) have issued guidance to local authorities in conjunction with the Local Government Association (LGA). The Chair of the LGA is now a member of the Chancellor's Standing Committee on Euro Preparations.

## CENTRAL GOVERNMENT

4.1 Central government preparations were well advanced before the Chancellor's announcement on 9 June 2003. All central government departments remain confident that they could meet the published timetable for a changeover, should the Government, Parliament and the people, in a referendum, decide that UK membership of EMU is in the national economic interest.

### Changeover planning in central government departments

4.2 Central government departments are now revising their plans in line with the new planning certainties published in the third outline National Changeover Plan (oNCP3). Each department has a lead official who has overall responsibility for their euro preparations, known as a euro co-ordinator. This network of euro co-ordinators shares best practice and identifies cross-cutting risks to a potential euro changeover. This helps ensure that solutions identified by government departments are disseminated across the public sector.

4.3 Once revised plans are in place, departments will subject them to external verification. This will be carried out under the Office of Government Commerce (OGC) Gateway process or similar. Gateway is an independent review carried out at key stages of a project or programme. The Gateway process is based on proven techniques that can lead to more successful delivery. A team of experienced reviewers, independent of the project or programme team, is appointed by OGC.

.....  
Central government plans are under revision, and will be subjected to external verification

## 4 Public and voluntary sector preparations

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4.4 The Gateway process can review progress at various stages of a project. Different stages are known as 'Gateways'. There are six Gateways during the lifecycle of a project, four before contract award and two looking at service implementation and confirmation of the operational benefits:

- Gateway Review 0: strategic assessment
- Gateway Review 1: business justification
- Gateway Review 2: procurement strategy
- Gateway Review 3: investment decision
- Gateway Review 4: readiness for service
- Gateway Review 5: benefits evaluation

4.5 External verification helps to ensure that planning processes conform to best practice, that robust project management procedures are in place, and that the changeover project would be adequately resourced. Most departments' plans can go through Gateway 0 (strategic assessment) now. Gateway 0 is applied at the start up of a programme or project. Some of the more advanced are able also to undertake Gateway 1 (business justification). Further reviews are likely to be most appropriate following a possible future Government decision to recommend entry to EMU.

4.6 Robust, externally verified plans will then be subject to planning for the next phase. This means that departments will need to ensure that their plans, and the associated risks, are regularly reviewed at the appropriate senior level, to take account of changes in their assumptions, including revisions in the machinery of government, new or upgraded systems or additional detail on changeover planning. Planning in HM Customs and Excise, one of the critical path departments, is advanced. HM Customs and Excise have made the necessary changes to their changeover plan, and subjected it to Gateway reviews 0, 1 and 3. They have now designed a continuity phase which has been agreed by senior management.

### **Box 4.1**

#### **Best practice in programme planning: HM Customs and Excise**

The HM Customs and Excise Euro Programme has the following aims:

- any system changes would be robust for the period over which they had to operate;
- revenue flows would be uninterrupted;
- departmental systems and processes would continue to run smoothly; and
- they would meet their service delivery requirements under the national Managed Transition Plan (MTP).

HM Customs and Excise completed their preparations stage on 30th September 2003. The work included finalisation of all key products and plans, including business and user requirements and technical solutions. They also published the fifth edition of their Euro Handbook, describing the policies to be followed in any changeover. In July 2003 their preparations successfully went through a Gateway 3 review. The review concluded that the preparations in advance of a future decision on the UK joining the EMU were of a high standard. HM Customs and Excise were well-placed to introduce the euro throughout the organisation, but such gains needed to be consolidated and preparedness maintained. The Gateway review team applauded the decision to move into a continuity stage.

The continuity stage plan identifies what the HM Customs and Excise Euro Programme needs to do to maintain an appropriate level of preparedness and so reduce the risk of not achieving a successful changeover. It achieves this by setting out what the Euro Programme will do in the following areas:

- ensuring euro compatibility of new developments;
- making targeted investments to validate solutions and reduce risks;
- refreshing key products;
- continuing communication efforts with key stakeholders;
- responding to Ministerial and Treasury requirements;
- contributing to public sector preparations; and
- assessing and advising on impact of external influences.

## Response to third outline National Changeover Plan

4.7 Central government departments have welcomed the publication of oNCP3:

- the announcement that the Government's preferred day to introduce euro cash (E day) would be 6 April in the relevant year has simplified planning in a number of departments, including the Inland Revenue and the Department for Work and Pensions;
- the clarification that there would be around 30 months between a 'yes' vote in any referendum and E day provides greater planning certainty;
- publication of detailed draft guidance on accounting issues, stored data, and rounding and smoothing has allowed departments to incorporate this guidance into their plans; and
- the draft public sector consumer code has helped departments to take decisions on the kind of services that they would offer during any changeover, including issues such as dual display and the treatment of electronic payments in euro before E day.

.....  
 Central government departments have welcomed the publication of the third outline National Changeover Plan

## 4 Public and voluntary sector preparations

### LOCAL AUTHORITIES

4.8 Local authorities would play a critical role in any changeover. Although the role differs across the UK and between different types of authority, they are responsible for a significant range of services including housing benefit, police, fire service and teachers' pay, and they are key communicators to citizens and local businesses.

#### Local authority guidance

4.9 The Chancellor announced on 9 June 2003 that guidance would be issued to assist local authorities with their euro preparations. This guidance, published by the Treasury and the Office of the Deputy Prime Minister in conjunction with the Local Government Association (LGA), strongly advises local authorities to begin planning work now. In common with the rest of the public sector and the wider economy, local authorities should consider euro issues as part of their normal business planning and risk management processes. The guidance offers a planning checklist for local authorities. An electronic copy of the guidance is available on the Government's euro website, [www.euro.gov.uk](http://www.euro.gov.uk).

Local authorities should consider euro issues as part of their normal business planning

#### Box 4.2

##### Local authority planning checklist

###### Initial planning:

- identify key business areas and policies that might be affected by a changeover;
- establish a programme management structure;
- resolve key business issues that would affect the overall corporate changeover strategy as well as individual business areas; and
- develop a changeover plan.

###### Transition services:

- through consultation with relevant stakeholders identify any transition services that would be provided; and
- ensure that other relevant organisations' transition plans are factored into corporate strategy.

###### Training:

- ensure training considerations are factored into changeover plans.

###### Cash changeover issues:

- identify all services that involve, or could involve cash payments as well as smoothing issues;
- discuss potential requirements with vending machine industry representatives; and
- consider staff training issues.

**Consumer issues:**

- ensure the principles for the consumer code and the implications of the draft public sector consumer code of conduct are factored into planning considerations;
- ensure dual display requirements are fully considered and incorporated into plans; and
- consider how local trading standards offices and consumer support networks could best help protect consumers.

**Procurement:**

- ensure systems planning follows business needs;
- consider OGC Gateway Reviews as part of overall project planning;
- engage with other authorities and suppliers to ascertain IT conversion needs; and
- consider innovative approaches to procurements.

**Conversion and rounding issues:**

- ensure key business areas are aware of conversion and rounding rules; and
- consider implications of vertical rounding and factor this into communication plans.

**Smoothing:**

- identify amounts that might require smoothing, with the aim of keeping this to a minimum;
- consider how smoothing might be achieved, noting that it should be in the citizen's favour;
- consider using 'unsmoothed' sterling amounts for a period of time;
- ensure technical plans are in place to deal with smoothing issues (e.g. car parking meters, IT systems changes); and
- factor smoothing considerations into communication plans.

**Stored data:**

- consider areas where there would be a business case for conversion of stored data; and
- using best practice guidelines, make appropriate plans for conversion.

**IT planning:**

- having considered business requirements, prepare an inventory of systems that might be affected by a changeover;
- develop user requirements for each system, followed by technical solutions and project plans; and
- determine overall strategy for systems conversion, i.e. phased conversion or 'big bang'.

## 4 Public and voluntary sector preparations

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### **Communication:**

- ensure communication is a key part of planning in all business areas;
- devise communication plans that dovetail with key stakeholder and national plans; and
- identify key stakeholder groups, communication channels, key relationships and interdependencies and the needs of vulnerable groups.

**4.10** The experience of central government departments has been that an appropriate level of planning work does not require significant resource commitment. Early planning can significantly reduce costs. So, for example, if a local authority is replacing or upgrading an IT system, euro compatibility can be built in at no or marginal cost.

**4.11** Many local authorities had, sensibly, already included euro preparations as part of their business planning. For example, Manchester City Council started planning in 1999.

### **Box 4.3**

#### **Best practice in local authority euro preparations: Manchester City Council**

The following examples illustrate the range of activities that Manchester City Council has undertaken in euro preparations:

- a Project Review Board has been set up with project objectives, scope, benefits and risks defined and published on the council intranet;
- an introductory seminar has been held for all financial managers to identify and alert them to the issues of service pricing, system changes and training requirements;
- an outline project plan has been developed, which could be implemented from a possible future referendum;
- there is a detailed inventory for all computer systems, documenting ownership, hardware platforms, age and planned replacement schedule;
- over 120 financial systems have been identified as having a '£' sign in at least one record (excluding spreadsheets);
- all new system developments should use currency-neutral fields and international currency codes, for example, EUR for euro or GBP for sterling;
- a system interface database identifies the financial links between systems and outside agencies, for example, banks, the Inland Revenue, and pension authorities.

## Local authorities and changeover plans

**4.12** Other local authorities have started to make preparations based on the guidance issued on 17 June 2003. The Euro Preparations Unit (EPU) in the Treasury will work with a group of local authorities to produce draft changeover plans.

**4.13** The authorities represent a variety of different types of local authority across the whole of the UK, including Edinburgh, Flintshire, Glasgow and Manchester. As such, working together, they should be able to assist EPU in identifying common issues which can be better addressed collectively.

**4.14** Key practitioners from other government departments have offered to facilitate this process, in particular from the Department for Work and Pensions, HM Customs and Excise and the Ministry of Defence, all of which have detailed changeover plans. Initial meetings have been held, and a work plan has been developed which should produce advanced drafts of changeover plans by spring 2004. The local authorities are advised to consider having their plans externally verified, for example, through OGC Gateway.

**4.15** Once these plans are in place, they will be made available to other local authorities as examples of best practice. The local authorities involved in the pilot will regularly review their plans, their assumptions and risks, to ensure that their plans are fully up to date and ready to implement should the Government decide to recommend that the UK join EMU.

## IT PREPARATIONS

**4.16** The public sector uses a wide range of IT systems, from older, bespoke legacy systems to very modern systems. Systems are being modernised across government, and e-government services are being introduced. As part of this modernisation, euro compatibility is being built into all new or upgraded systems where this represents value for money, in line with the Prime Minister's statement in 1999. This is usually possible at no or marginal cost, and has potentially large cost savings in the event of a changeover.

**4.17** As IT systems have been assessed and solutions found to deliver euro compatibility, these have been shared across government. Following the Chancellor's announcement on 9 June 2003, the Government set up an IT Managers' Group (ITMG) to provide a strategic analysis of the state of IT euro preparations across the public sector, and to assess, monitor and manage risks. In particular, there are three risks which ITMG considers:

- public sector access to IT specialist resources during any changeover, at a time where such expertise would be in demand across the economy;
- the need to ensure that public sector euro IT programmes could be delivered on schedule; and
- the need to ensure the cost-effectiveness of any changeover.

**4.18** The Government is revising guidance for IT managers and will issue a new edition of Euro Compatibility – A Technical Guide for Managers in Central Government in early 2004.

.....  
Euro compatibility is being built into all new or upgraded systems where this represents value for money

## 4 Public and voluntary sector preparations

.....  
Officials are working with the voluntary sector to assess the level of preparedness and identify common issues

### VOLUNTARY SECTOR PREPARATIONS

4.19 In the event of a changeover, the voluntary sector would play a key role in communicating with citizens and vulnerable groups. Voluntary organisations would share some issues in common with business, but there would also be areas of difference.

4.20 To reflect the stepping up of euro preparations across the economy, a representative of the voluntary sector has joined the Chancellor's Standing Committee on Euro Preparations. A list of members of the Standing Committee is at Annex A.

4.21 Officials from EPU are working with representatives of the voluntary sector to assess the level of preparedness and to consider what further support and guidance may be appropriate.

#### Box 4.4

##### **Best practice in euro preparations: the National Council for Voluntary Organisations**

The National Council for Voluntary Organisations (NCVO) works with and for the voluntary sector in England by providing information, advice and support to voluntary organisations, and by representing the views of the sector to government and policy-makers. It has a growing membership of over 3,300 voluntary and community organisations across England, and has sister councils in Scotland, Wales and Northern Ireland.

NCVO is carrying out research aimed at identifying the extent to which the potential adoption of the euro in the UK would impact upon the voluntary and community sector, and how well prepared the sector is for this potential change. Using focus groups with key people from across the sector, NCVO has identified the main areas likely to be affected in the event of a changeover, including IT and accountancy systems, cash handling, trading, communication, training, and the impact on donations and investments. A change of currency would also mean that many organisations would find themselves playing a role in providing information and support on the new currency to their client or beneficiary group, who may have difficulties in adapting to the new currency, as well as accessing information about the euro.

NCVO aims to ascertain to what extent its members have given thought to, or planned for, the possible introduction of the euro, and to assess the level of preparedness within the sector. NCVO will launch its research findings at its annual conference planned for 18 February 2004. These will form the basis for its future work in providing help, advice and support to its members and the broader voluntary sector, in order to ensure a smooth and effective transition, should the UK adopt the single currency.

## Response to third outline National Changeover Plan

4.22 The voluntary sector has highlighted two areas of particular relevance for voluntary organisations:

- changeover planning should take into account the interests of smaller organisations, who may have fewer resources available to deal with a potential changeover and would therefore require more support;
- training of staff and volunteers would be a particular challenge for the voluntary sector during a potential changeover.



# 5 Private sector preparations



## Developing private sector euro preparations

Since 9 June 2003, the Euro Preparations Unit (EPU) in the Treasury has undertaken extensive consultation on the third outline National Changeover Plan – listening to business, explaining the changeover timetable and ensuring ongoing engagement across the private sector. Consultation continues throughout the UK.

Many private sector organisations, especially in the financial services sector, are well advanced in their euro preparations. The Treasury's focus now is to ensure that all sectors understand how the phased approach would work for the UK economy as a whole. Working in partnership with stakeholders across the public, private and voluntary sectors, EPU is taking the Managed Transition Plan to the next level of detail, and testing to ensure that it meets the needs of everyone: business, the public and voluntary sectors, consumers and vulnerable groups.

## FINANCIAL SERVICES

5.1 Many organisations in the financial services sector are well advanced in their euro preparations. Some now consider that their first-stage euro preparations are complete, and are keeping their programmes under review to ensure institutional memory is retained. EPU continues to work with the sector as a whole to maintain the current high level of preparedness.

5.2 Key stakeholders, including the British Bankers' Association (BBA), the Association for Payment Clearing Services (APACS), the Association of British Insurers (ABI), individual banks, insurers and the Financial Services Authority (FSA), continue to contribute significantly to preparations in the sector. They are helping to ensure that planning is appropriate and effective and that the sector could meet the changeover timetable provided in the third outline National Changeover Plan (oNCP3).

### Retail banks

5.3 Retail banks would be crucial in delivering a successful changeover: converting bank accounts, easing business and personal customers through a changeover, handling euro and sterling cash, and developing the technical systems to support a new currency.

5.4 EPU continues to work closely and productively with the retail banking sector, through regular bilateral meetings and working groups. Current work includes helping to take the Managed Transition Plan (MTP), published as part of oNCP3, to the next level of detail. Following further consultation with stakeholders, an updated version of the MTP will be made available by summer 2004.

.....  
The financial services sector is well advanced in euro preparations

## 5 Private sector preparations

5.5 EPU is working with the retail banks and building societies to ensure that planning assumptions remain up-to-date and appropriate, and are consistent with changeover plans across the economy.

### Insurers

5.6 Alongside the retail banks, insurers would play an important role in a successful changeover. The insurance industry has significant contact with citizens, and insurance products underpin the savings and investments of many individuals and organisations.

5.7 Planning across the insurance industry is progressing well. The Association of British Insurers (ABI) is co-ordinating development of the UK Insurance Industry Outline Euro Guidance Document. Working with industry representatives, EPU continues to monitor the state of preparedness.

### RETAIL SECTOR

5.8 The retail sector plays a vital role in the success of the economy. UK retail sales were approximately £234 billion in 2002, and almost half of consumer spending is through shops (source: British Retail Consortium, [www.brc.org](http://www.brc.org)).

5.9 Retailers would be of critical importance to the successful delivery of a cash changeover. Their interaction with consumers would help to introduce euro cash, and to withdraw sterling cash. In the event of a UK changeover, many citizens would have their first practical experience of UK euro notes and coins in a retail outlet, and retail staff would have a central role to play in helping consumers familiarise themselves with the new currency.

5.10 EPU is working to develop further planning across the sector, working through the British Retail Consortium and others. Alongside other key stakeholders, retailers are helping to refine the Managed Transition Plan and to build the impact of major initiatives such as 'Chip and PIN' into planning work. The sector will be consulted on the remit for the Cash Changeover Working Group to be established in the event of a possible future UK changeover.

.....  
Retailers would be important in the successful delivery of a cash changeover

### Box 5.1

#### Chip and PIN

The national launch of Chip and PIN is scheduled for 2005. Chip and PIN will affect all retailers that make over-the-counter sales for which payment is accepted by credit or debit card. New equipment will need to be put in place so that retailers are able to accept Chip and PIN transactions by 31 December 2004. As with all investment in IT or currency-handling systems, retailers will want to consider euro compatibility as part of their investment decision. EPU will continue to discuss euro compatibility issues with retailers, banks and vendors of the new equipment.

The introduction of Chip and PIN has some similarities with the possible future introduction of the euro. Retailers need to consider the impact of Chip and PIN on different areas of their business, and ensure that staff are trained to work with the new system, and to support customers in its use. EPU will monitor the introduction of Chip and PIN, and consider what lessons may be learned from this.

## UTILITIES

5.11 In a possible future UK changeover, utility companies would have an important role to play in maintaining consumer confidence and in communicating with vulnerable groups. EPU continues to work with the sector to consider these issues in the light of the announcement of 6 April in the relevant year as the Government's preferred choice for the date of introduction of euro cash (E day).

## SMALL- AND MEDIUM-SIZED ENTERPRISES

5.12 Small- and medium-sized enterprises (SMEs) manage change on an ongoing basis. They are important to the success of the UK economy, providing employment for over half the private sector workforce, and accounting for 52% of total private sector turnover, around £1150 billion each year (source, Small Business Service).

5.13 The majority of SMEs are unlikely to need to undertake detailed practical preparations before a possible future Government decision to recommend UK membership of EMU. However, SMEs should remain informed. They need to be aware of the changeover timetable, know what the Managed Transition Plan means for them and, where appropriate, build this information into their business planning. In particular, SMEs should consider building euro compatibility into their investment decisions where this represents value for money. Many manufacturers and other businesses who have links with the euro area have already considered these issues in response to the introduction of the euro in the euro area. Businesses that have not yet considered the issues are encouraged to do so.

5.14 To support this awareness, EPU is extending contacts with the small business sector and refining understanding of the needs of the sector to ensure communication materials remain relevant and appropriate.

.....  
SMEs should remain  
informed

### Box 5.2

#### Euro compatibility

Euro compatibility should be a consideration in any large purchasing or leasing decision, particularly when the items in question are intended to last several years. Examples could include: cash registers, Point of Sale systems, credit/debit card terminals, and vending equipment, as well as accounts, payroll and all other business financial systems.

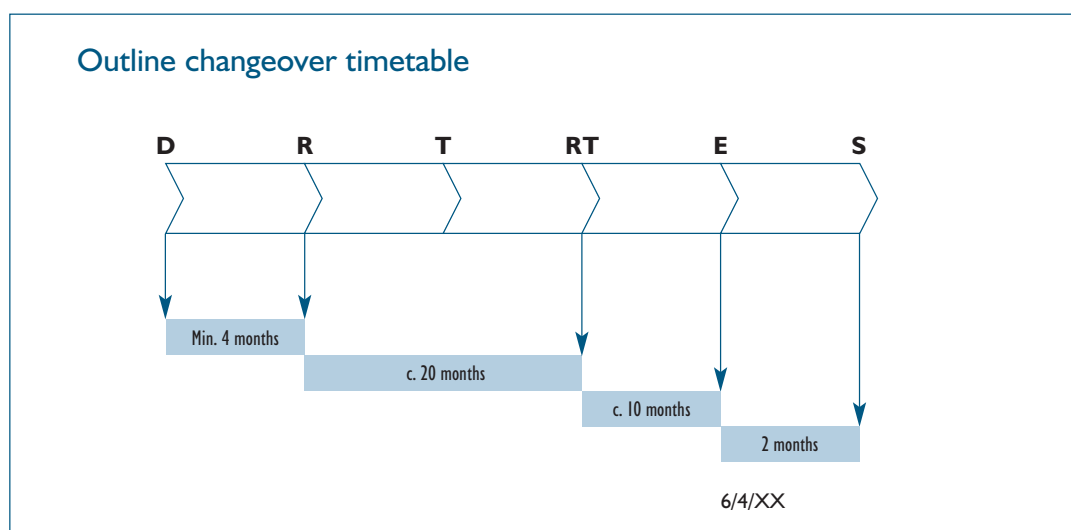
Care should also be taken in relation to operations and services that are being outsourced. Early consideration of euro compatibility could result in a saving in the longer term. The purchase of euro compatible or currency-neutral goods or services is often no more expensive, and can be cheaper, than products with single currency functionality.

### MANAGED TRANSITION PLAN

5.15 A Managed Transition, also known as a phased approach, is the Government's preferred approach to a possible future UK changeover. Wholesale and retail financial services would be introduced in stages, with retail banking services available from a point known as Retail Transition (RT).

5.16 The key milestones in a changeover would be:

- D: Decision – a Government decision to recommend joining EMU;
- R: Referendum – UK electorate vote on joining EMU;
- T: time of entry and start of Transition. UK joins EMU. The euro-sterling exchange rate would be irrevocably fixed;
- RT: beginning of Retail Transition. Euro denominated retail financial services would start to be available from this point;
- E: Euro cash introduced and end of transition. UK euro notes and coins would be introduced. All non-cash transactions would be denominated in euro; and
- S: Sterling ceases to be legal tender. End of dual circulation period.



5.17 The Managed Transition Plan (MTP) published in oNCP3, sets out what euro services would be available when, and from whom, in the event of a UK changeover. It was prepared and co-ordinated in conjunction with the public and private sectors, under the umbrella of the Managed Transition Advisory Group (MTAG). The Treasury and the British Bankers' Association jointly chair this group.

5.18 Private sector support for a managed transition and their continued involvement in the development of the MTP is very much welcomed. The MTAG continues to oversee the development of the plan. Over the coming months, further detail will be added, and contributions will be built in from a broader cross section of the economy.

Further detail will be added to the Managed Transition Plan

**Box 5.3****Updates to the Managed Transition Plan since 9 June 2003**

The banking, insurance and utilities sectors have provided valuable feedback on the Managed Transition Plan (MTP), as set out in the third outline National Changeover Plan. Work has begun to clarify further detail on transitional services:

- HM Customs and Excise have clarified the VAT services they would provide during a changeover: traders would be able to keep VAT accounts in euro from the date of joining (T), allowing them to build up historical euro information; and businesses could invoice each other in euro, including VAT, provided that monetary amounts were displayed in both sterling and euro; and
- the Inland Revenue is consulting on providing support to businesses wanting to run euro payroll.

**Increased engagement with the private sector**

**5.19** As part of the process of wider consultation on the MTP, EPU is stepping up and extending engagement with key sectors and organisations, working through the new preparation committees to include relevant organisations in Scotland, Wales and Northern Ireland.

**5.20** Contacts include accountants, and software and payroll services providers, who are working with EPU to:

- explore their role in helping to ensure a successful changeover;
- identify key interdependencies with other sectors;
- consider what inputs might be needed from the public sector; and
- discuss ways in which EPU can support their euro preparations.

.....  
EPU is stepping up  
and extending  
engagement with  
the private sector

**Box 5.4****Issues businesses should consider now****Planning**

Who in the organisation would be responsible for a euro changeover? What management structures would be needed? Lessons from the euro area suggest that successful planning should include:

- strong sponsorship from senior management;
- clear project and programme objectives;
- robust management of risks and resources; and
- effective and timely communication.

### **IT systems**

Organisations that use standard systems may find these systems can already operate in multiple currencies, or could be easily updated to do so. Specially-designed or bespoke systems may need more planning and resources to update.

Issues to consider include:

- treatment of archived data;
- dual display of prices, for example on receipts and bills;
- working within the rules for converting from sterling to euro; and
- process for changing the system to euro.

### **Finance and accounting**

Organisations that use electronic payment systems need to consider when these payments would be converted to euro, and how they inter-relate with third parties, such as their bank or suppliers. Organisations need to consider when their internal accounting procedures should be changed from sterling to euro. Businesses might also find it helpful to consult their bank, accountant, financial adviser, the Inland Revenue and HM Customs and Excise.

### **Cash**

Organisations that handle cash would need to think about when euro cash would become available, and how they would obtain and store euro cash.

Issues to consider include:

- credit limits on business bank accounts during the changeover period;
- insurance cover and security for both sterling and euro cash;
- handling of notes and coins, especially during the dual circulation period; and
- staff training in euro cash recognition and security features.

### **Marketing and pricing**

Organisations need to consider how they would show prices in both sterling and euro during a dual display period. Businesses would be encouraged to sign up to the relevant consumer code of practice, and to provide full information to customers about their pricing policy during a changeover. Issues to consider include:

- maintaining consumer confidence during a changeover;
- increased ability for customers to compare prices with other euro area suppliers (price transparency); and
- the response of other businesses in the supply chain to a changeover, including the point at which they might begin invoicing or making payments in euro, and their marketing and pricing strategy.

**Staff training**

Organisations need to consider how they would train staff in a changeover. Issues to consider include:

- training staff to help customers become familiar with the new currency, and to meet the needs of vulnerable groups;
- any necessary temporary adjustment to working hours during the changeover period, particularly around the introduction of notes and coins (E day); and
- security and health and safety issues relating to handling additional cash volumes during the dual circulation period.

**PLANNING FOR A CASH CHANGEOVER**

5.21 EPU continues to work with key stakeholders, including the Bank of England (the Bank), the Royal Mint, the Royal Mail, the Association for Payment Clearing Services (APACS), cash-in-transit companies (CITs) and the British Retail Consortium (BRC) to make further progress on:

- euro coin requirements across the UK;
- denominational mix analysis for notes and coins;
- the interface between cash issues and the Managed Transition Plan;
- the development of a national cash storage and distribution plan; and
- options for the timing and extent of de-hoarding campaigns.

**RESPONSE TO CONSULTATION ON THIRD OUTLINE NATIONAL CHANGEOVER PLAN**

5.22 To date, reactions to oNCP3 have been positive across the private sector. In particular, stakeholders have commented that the Managed Transition Plan reflects considerable progress in defining the overall changeover approach for key organisations across the economy, whilst recognising that further work now needs to be done in bringing in contributions from new stakeholders.

**SUPPORTING UK BUSINESS TO DEAL WITH THE EURO AS A FOREIGN CURRENCY**

5.23 The Government continues to ensure that UK businesses and citizens are provided with the information they need to deal with the euro as a foreign currency.

.....  
**Planning for a cash changeover is progressing**

.....  
**Private sector stakeholders have welcomed oNCP3, and the further detail in the Managed Transition Plan**

## 5 Private sector preparations

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**5.24** It is nearly two years since the introduction of euro cash in the euro area. Although significant numbers of UK businesses with trading links have made preparations or put a strategy in place, others have not considered the implications of the euro for their business. The Government continues to make free information available to business from the euro helpline (**08456 010199**) and online from the Treasury's euro website (**[www.euro.gov.uk](http://www.euro.gov.uk)**).

**5.25** The Government also continues to work with businesses and business representative organisations to ensure that any impact of the euro on UK business competitiveness is recognised and addressed. In October 2003, the Institute of Chartered Accountants in England and Wales (ICAEW) produced the booklet 'The Impact of Trading with the Eurozone', in partnership with the Department of Trade and Industry and the Treasury. This booklet was sent by the ICAEW to member firms identified as having predominantly business clients. It identifies the practical and strategic issues that member firms should consider discussing with their clients who have direct or indirect trading links with the euro area.

# 6

## Wholesale financial markets



### Euro preparations in the wholesale financial markets

Since the publication of the third outline National Changeover Plan on 9 June 2003, the Bank of England (the Bank) has continued to co-ordinate preparations in the sterling wholesale financial markets for possible UK entry into EMU through the City Euro Group, a representative body of City market associations and financial institutions, which meets at regular intervals.

The City Euro Group has now started to consider the technical issues that financial market-related legislation in the UK would need to cover.

### LEGISLATIVE REQUIREMENTS

**6.1** In consultation with the City Euro Group, the Bank has prepared and published a City Guide to a UK Euro Changeover (the City Guide). This is kept up-to-date on the Bank's website at [www.bankofengland.co.uk/euro/cityguide/overview.htm](http://www.bankofengland.co.uk/euro/cityguide/overview.htm).

**6.2** The website includes a record of recent changes and additions, with an explanation of each change and its date.

**6.3** In the event of UK entry into EMU, the City Guide would provide market guidance on how the sterling financial markets would change over to the euro. However, a changeover from sterling to the euro would be governed by a legal framework of EC Regulations, as in the euro area<sup>1</sup>.

**6.4** In the euro area, these EC Regulations were supplemented by national legislation to provide a greater level of detail, where market guidance was not considered sufficient on its own. For example, national legislation was needed to facilitate the redenomination (i.e. the change in nominal value) of bonds and company share capital from legacy currency to the euro.

**6.5** In the euro area, the EC Regulations stated that a participating government could take measures to redenominate its bonds denominated in its legacy currency and issued under its national law, and that, once government bonds had been redenominated, a private sector issuer could redenominate its bonds denominated in that Member State's legacy currency, unless redenomination was expressly excluded by the terms of the bonds. But the EC Regulations did not specify the method of redenomination to be used.

**6.6** In the euro area, the EC Regulations did not specify how company share capital was to be redenominated. National legislation was needed to prescribe the method and make the procedure for companies as simple and cheap as possible.

.....  
In the euro area, EC Regulations were supplemented by national legislation

<sup>1</sup> The euro area comprises those countries that have adopted the euro as their common currency: Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Portugal and Spain (which all joined the euro on 1 January 1999), and Greece (which joined the euro on 1 January 2001).

.....  
If the UK were to join EMU, financial market-related legislation in the UK would be needed, for example, to facilitate redenomination

6.7 Similarly, if the UK were to join EMU, it is expected that – besides EC Regulations – UK legislation to facilitate a changeover from sterling to euro would be required. To give the market greater certainty in planning for a changeover, this legislation would need to be in place in good time before UK entry, and market participants would be keen to be consulted about the form which any UK legislation would take.

6.8 The City Euro Group has started to consider the technical issues that financial market-related legislation in the UK would need to cover. As a first step, the City Euro Group has prepared a paper, with assistance from the City of London Law Society's Financial Law Sub-Committee, on the legislation which might be needed to facilitate the redenomination of sterling bonds and company share capital.

### Box 6.1

#### Redenomination of sterling bonds and company share capital

##### A consultation paper by the City Euro Group on the UK legislation that would be needed for EMU entry

If the UK were to join EMU, UK legislation would be needed to facilitate the redenomination of bonds and company share capital. This paper, which is provided as a basis for consultation with market practitioners and legal experts, identifies points (mainly from the City Guide) which might need to be covered in UK legislation.

Comments on this paper should be sent, by 27 February 2004, to:

Alan Barnes  
Secretary of the City Euro Group  
Bank of England  
Threadneedle Street  
London  
EC2R 8AH  
[alan.barnes@bankofengland.co.uk](mailto:alan.barnes@bankofengland.co.uk)

#### Redenomination of bonds

1. All UK Government sterling-denominated registered debt securities (including Treasury bills) would be redenominated to euro on the date of UK entry, using the conversion rate. Redenomination would take place by converting the recorded value in the register of each individual holding, by each stock account, and rounding to the nearest euro cent under Article 5 of Council Regulation (EC) 1103/97<sup>2</sup>.
2. The minimum holding and tradable amount would, following redenomination, be changed from £0.01 to €0.01.
3. Gilts in bearer form would be deemed to be redenominated on entry, but without requiring an actual exchange of paper instruments or physical 'stamping over' of existing instruments.

<sup>2</sup> As amended by Council Regulation (EC) 2595/2000.

4. Non-UK Government sterling-denominated debt securities, whether registered or bearer, could be redenominated at any point during a transition period, by decision of the issuer, subject to the terms of the offering circular<sup>3</sup>. In the case of companies, this could be done by a simple resolution of the board. Where redenomination followed the same method as for gilts, the issuer would not be required to obtain the consent of bondholders (unless the terms and conditions specifically required this).
5. Issuers, either directly or through their agents, should make reasonable efforts to inform bondholders about the redenomination of their bonds<sup>4</sup>. Issuers would determine when and in what manner information would be sent to registered holders, while holders of bearer bonds could only receive such information when they contacted their issuer or agent.
6. Where securities had not been redenominated, but cash flow payments were made in euro, the calculation of interest payments or principal repayments should be made by converting into euro the amount due on the basis of the recorded value in the register, or the face value in the case of bearer bonds, of each individual holding.
7. The legislation might also specify that, where calculation of interest or principal repayments was made by reference to an index or a market reference rate, any modification to the index or market reference rate as a result of redenomination would not affect the validity of the contract. Issuers should make reasonable efforts to communicate this information to bondholders, as necessary. Any such provision would not seek to specify which successor rate should be used. That would be a matter for the relevant market associations. But it would make clear that a change in reference rate would not affect the validity of the contract.
8. Holders of redenominated securities would not have to meet any of the costs of redenomination.
9. There are several other points that would need to be considered:
  - whether there were any other relevant provisions in the Government Stock Regulations and related legislation, some of which date back to 1832;
  - whether the legislation would need to refer specifically to sterling debentures, convertibles, options and warrants;
  - how legislation would cover contracts subject to Scottish and Northern Irish law, as well as contracts subject to English law; and
  - how sterling Eurobonds subject to foreign law would be treated.

<sup>3</sup> This assumes that an equivalent to Council Regulation (EC) 974/98 (as amended by Council Regulation (EC) 2596/2000) would apply in the UK, if the UK were to join EMU, and that the Regulation would include an equivalent to Article 8(4), as it did in the case of the euro area.

<sup>4</sup> The IPAA recommends that issuers that do not redenominate their bonds on entry should redenominate them on an interest payment date.

### Redenomination of company share capital<sup>5</sup>

10. A simplified procedure, to enable directors of a UK company to resolve that their company's sterling share capital should be redenominated to euro during a transition period, should be available to both public and private companies. When this proposal was originally put forward by the DTI in September 1998, it was contemplated that the procedure would become available while the UK was outside the euro area and, for this reason, a shareholders' power of veto was included. A power of veto would not be appropriate if the procedure were exercisable only after the start of a UK transition period, since the conversion rate between sterling and the euro would then have become irrevocably fixed and sterling would be a sub-division of the euro.
11. Companies should be required to adopt a top-down method of conversion, by converting the total nominal amount of the authorised share capital (both issued and unissued) in each class, rounding to the nearest euro cent and then dividing by the number of authorised shares in order to arrive at the nominal euro amount of each individual share, as illustrated in the following example.

#### ***Method of redenominating company share capital: an example***

- (1) Convert authorised share capital from sterling to euro at the conversion rate and round to the nearest euro cent.*
- (2) Find the nominal value of each share by dividing the result at (1) by the number of authorised shares.*
- (3) Either leave the resulting nominal amount of each share stated to several decimal places (without rounding or truncating), or round it upwards or downwards with a corresponding adjustment to the company's reserves.*
- (4) The company balance sheet will show the issued (redenominated) share capital and the change to the reserves.*

<sup>5</sup> A method for avoiding the need to redenominate company share capital would be for the legislation to allow true 'no par value' (NPV) shares. Instead of individual shares having a fixed nominal value, each NPV share would represent a proportion of a company's total share capital. The number of shares in issue could remain the same; there would be no par value to redenominate; no resulting decimal figures to round or renominialise; and changes to registers and certificates would be minimal. It would also avoid the need to cash out any awkward fractional interest which might arise when shares are redenominated and renominialised. There is considerable support in the UK for the 'true' type of NPV share. It would not have any monetary relationship to a company's share capital and would simply represent a fractional share in the company's total net worth. However, in the case of public companies, this type of NPV share, which is commonly used in the US, would not appear to be compatible with the Second EC Company Law Directive in its present form.

**Example:**

Assume a company with authorised share capital of £100,000 (100,000 shares of £1 each), and issued share capital of £75,000 (75,000 shares of £1 each).

Assume a hypothetical conversion rate, for illustration only,  
 $€1 = £0.456789^6$

Authorised share capital of £100,000 converted to euro @ 0.456789 =  
 €218,919.46 ((1) above).

Nominal value of each £1 share = €2.1891946 ((2) above).

If reserves are available, renominialise the par value of each share upwards to €2.20 and capitalise €810.41 to pay the difference (€0.0108054) on the issued shares ((3) above).

If no reserves are available, round down the nominal value of each share to the nearest euro cent, so reducing it by €0.0091946; then multiply this amount (€0.0091946) by the number of shares in issue (75,000) to give €689.60, which amount is transferred to a special undistributable reserve ((3) above).

If the shares are renominialised upwards to €2.20 each by capitalising reserves, the authorised share capital would be €220,000, the issued share capital would be €165,000 and reserves would be reduced by €810.41 ((4) above). Alternatively, if the nominal amount of each share is rounded downwards to the nearest euro cent, the authorised share capital would be €218,000, the issued share capital would be €163,500 and reserves would be increased by €689.60 ((4) above).

12. Mandatory rounding under Article 5 of Council Regulation (EC) 1103/97<sup>7</sup> applies only where 'monetary amounts' are to be 'paid or accounted for' after a conversion to the euro. There are differing views as to how widely or otherwise this should be interpreted. It has been suggested by the Law Society's Company Law Committee and the City of London Law Society's Company Law Sub-Committee in their memorandum dated April 2003, Redenomination of Legacy Currency Share Capital following the Introduction of the Euro (the Joint Memorandum), that the rounding rule should apply both to the payment of dividends and sums due on redemption and also to a set of accounts being prepared or a statement as to the amount of share capital being made in compliance with a legal obligation. If the UK were to join EMU, further guidance might need to be given on this question, particularly when the 'read as euro' principle came into operation at the end of a UK transition period.

<sup>6</sup> This hypothetical conversion rate is used here to enable the presentation of a worked example. It is the same hypothetical rate that was used for this purpose in oNCP3.

<sup>7</sup> As amended by Council Regulation (EC) 2595/2000.

13. The legislation should state whether the nominal amount of each share so converted would be left stated to several decimal places or rounded to the nearest euro cent. As rounding could give rise to significant differences in the case of shares with small nominal amounts, it might be best if rounding of nominal amounts was made possible but not compulsory. If this approach were followed, companies could still choose, after conversion had occurred, to redenominate their shares by a shareholders' resolution.
14. Rounding should be treated as not altering a company's share capital and therefore not requiring court or shareholder approval. It would be helpful to have UK statutory confirmation of this, in order to put the position beyond doubt (see the Joint Memorandum).
15. For all legal purposes, the number of decimal places to which the redenominated nominal amount of each share would be stated should be determined by the board of directors in accordance with Articles 4 and 5 of the Council Regulation (EC) 1103/97<sup>8</sup>. Although it would seem attractive to permit companies, purely for reporting or presentational purposes, to state the nominal amount of shares to two decimal places, it would be necessary to consider whether this could lead to confusion and inconsistencies. If the total nominal amount of the authorised share capital had been calculated by the top-down method but the nominal amount of each share was stated to a rounded amount (without having been redenominated), there would be an apparent mathematical inconsistency between the two figures. In other words, the rounded nominal amount of each share when multiplied by the number of authorised shares, would rarely (if ever) match the stated total nominal amount of the authorised share capital.
16. Companies should be permitted by the legislation to adjust the resulting nominal amount of each share to a more convenient round figure in euro, by passing an ordinary resolution (without the need for any court approval) as contemplated in the proposals announced by the DTI in September 1998. This resolution could be conveniently passed at an AGM in order to avoid the costs of convening a separate shareholders' meeting.
17. Any change in the total nominal share capital arising from redenomination or redenomination would need to be combined with a corresponding adjustment to the company's reserves, as contemplated in the example above.

<sup>8</sup> As amended by Council Regulation (EC) 2595/2000.

18. It would seem sensible that, if a company were to redenominate its sterling share capital to euro during a transition period, it could also resolve that any references in a company document to share capital be read as euro at the official conversion rate with effect from the date of redenomination. However, care would need to be taken in drafting the legislation to ensure that it had no unintended (adverse) impact on the rights of third parties. After the end of a UK transition period, the 'read as euro' principle would automatically apply in any event, assuming that Article 14 of Council Regulation (EC) 974/98<sup>9</sup> would be replicated for UK entry.
19. A company should not be obliged to issue new share certificates on redenomination or renominatisation, provided that the number of shares in issue remained unaltered. This should be specified in the legislation, for the avoidance of doubt.
20. Issuers, either directly or through their agents, should make reasonable efforts to inform shareholders about the redenomination and renominatisation of their shares.
21. Where costs were incurred in redenominating and (if applicable) renominatising shares, the legislation should make clear that this would be an expense of the issuing company (not reclaimable from shareholders) and tax deductible as such.

## FUTURE WORK PROGRAMME

**6.9** In due course, the City Euro Group hopes to consider other technical areas where UK market-related legislation might be needed, for example, to ensure tax neutrality so that conversion of a sterling amount to a euro amount during a transition period after UK entry into EMU would not give rise to any adverse tax consequences.

<sup>9</sup> As amended by Council Regulation (EC) 2596/2000.



# 7 Communication and consumer protection



## Communicating with, and protecting consumers

Maintaining consumer confidence would be a key part of any changeover. Timely and relevant communication would be essential to support consumers throughout the changeover period.

Stakeholders have welcomed the further detail on proposed communication published in the third outline National Changeover Plan (oNCP3), and the draft codes of practice for transport, retailers and the public sector.

Many organisations now have communication plans in place, and the Euro Preparations Unit (EPU) in the Treasury will be working with them to produce an Integrated Communication Plan, to complement and extend the information in the Managed Transition Plan. EPU is also working with other sectors of the economy to produce further draft codes of practice.

## CONSUMER PROTECTION

**7.1** In the euro area, there has been a widespread perception of price rises following the changeover to the euro. Although official statistics indicate that the actual inflationary effect was small, between 0.0%-0.2%, the consumer perception has persisted.

**7.2** Anecdotal evidence suggests that consumers assumed that convenient prices operated against them. So, for example, if an Irish price had been IEP15, this would have converted as EUR19.05 (using the official, fixed conversion rate of EUR1 = IEP 0.787564). Retailers generally chose memorable price points, in this case most likely EUR19. This is known as 'smoothing'. However, as most consumers were expecting to see rough and ready prices as a result of direct conversion, they equated smooth prices with price increases, whether or not the price had risen or fallen. In the event of future UK entry to EMU, the UK plans to learn from this and other evidence from the euro area. So, for example, the draft code of practice for the public sector, published in oNCP3, says that the public sector would not smooth prices unless absolutely necessary, for example, for the operation of an IT system. Where smoothing was essential, this should be in favour of the citizen.

### Box 7.1

#### Smoothing in the public sector: the Department for Work and Pensions

Some UK social security payments are set at an amount that is easy to remember and administer, for example, the £10 Christmas Bonus and the £200 Winter Fuel Payment. These amounts are known as 'smoothed' amounts.

In the event of future UK entry to EMU, these benefits would be converted to euro using the official, fixed exchange rate. The resulting euro amounts would, in principle, not be smoothed. Some of the factors that have been considered in reaching this decision are set out below:

- it would send a clear signal that there would not be inflationary effects from the conversion in the public sector;
- many benefit rates are set in legislation – anything other than a simple conversion from sterling to euro would require this legislation to be amended; and
- in the majority of cases, there are no technical or administrative reasons to use a smooth amount.

Amounts would be smoothed only in cases where there were very specific technical reasons to do so, for example, if an IT system could not accept unsmoothed currency amounts.

.....  
The Treasury will set up a Consumers' Group to discuss consumer issues during a potential changeover

7.3 ONCP3 published three draft codes of practice: for transport, retailers and the public sector. Further comments on these draft codes would be welcome. Draft codes of practice will now be developed for the financial sector, utilities, the hospitality sector and the vending machine industry.

7.4 The Treasury has established a Consumers' Group which met in November 2003, including consumer representatives, industry bodies and regulators, to consider consumer issues connected with a potential changeover. This group will:

- build upon existing consumer protection frameworks;
- learn from those involved in consumer issues from the euro area, and discuss whether these examples (such as, the Euro Observatories which operated in Belgium) would be good models for a UK changeover; and
- consider the additional statistics which might be collected and published in the event of a changeover, to ensure greater transparency and improved consumer confidence.

## COMMUNICATION

7.5 ONCP3 provided further detail on the content and channels for a programme of national communication in the event of a UK changeover:

- key messages for citizens and business were set out, and delivery partners identified;
- potential additional funding was announced for key partners experienced in communicating with vulnerable groups; and
- key communication channels were confirmed, including a national telephone helpline.

### Co-ordinating communication planning across the economy

7.6 Co-ordination of communication planning across the economy is delivered via the existing Core Communicators Working Group. (In the event of a UK changeover, the group would become the Communication Working Group.) The group originally comprised representatives from central government departments, and has recently been expanded to include representatives from retail banks and utilities.

7.7 The majority of central government departments have communication plans in place that could be implemented at a future Government decision to join EMU. Outside central government, communication planning is particularly advanced in the banking sector. Local authorities have been advised to consider communication as part of their overall euro preparations. EPU will review these communication plans individually with partners over the coming months. Communication planning is included within the Gateway review process.

7.8 The new preparations committees in Scotland, Wales and Northern Ireland share the view that effective and timely communication would be crucial to the success of any future UK changeover. EPU will work closely with the new committees in the further development of the communication strategy for a changeover.

### Response to third outline National Changeover Plan

7.9 The Core Communicators Working Group met on 25 September, and members of the group gave initial feedback on the communication sections of oNCP3:

- stakeholders have found the further detail helpful, and have used this to confirm and, in some cases, extend their own communication planning;
- the announcement that the Government's preferred date for the introduction of euro cash (E day) would be 6 April in the relevant year has provided greater certainty for communication planning, as in other areas of changeover planning; and
- there is widespread support for the proposal that some funding would be available for partners experienced in communicating with vulnerable groups.

.....  
**Communication plans will be reviewed over the coming months**

.....  
**Stakeholders have welcomed the further detail on communication given in the third outline National Changeover Plan**

.....  
The Euro  
Preparations Unit  
in the Treasury  
is extending  
contact with  
representatives of  
vulnerable groups

### Meeting the needs of vulnerable groups

**7.10** ONCP3 reaffirmed the importance of ensuring that information material for a possible UK changeover would take into account the needs of vulnerable groups. In March 2003, the Treasury formed the Vulnerables Working Group (VWG) to undertake further work on the communication needs of vulnerable groups. VWG includes representatives from organisations experienced in working with groups who might experience specific problems during a changeover.

**7.11** EPU has held bilateral meetings with members of the VWG following publication of oNCP3 to seek their views on the communication strategy.

**7.12** Following these meetings, further sections of society have been identified whose needs are not covered, or only partly covered, by the VWG. This includes homeless people, people with mental health issues, people who live in remote areas and people for whom English is not their first language. EPU is extending contacts with these groups in order to ensure that their needs are fully considered in UK changeover planning.

**7.13** The group is also considering some of the ways that the Government and representative organisations might work in partnership on communicating to vulnerable groups should the UK decide to join EMU.

### Response to the third outline National Changeover Plan

**7.14** The Treasury has received initial responses to oNCP3 from a number of organisations representing the interests of vulnerable groups. In general, the responses have welcomed the outline plans, and the announcement of some funding to assist with communications to vulnerable groups. Particular issues identified include:

- vulnerable groups would require sufficient time to become familiar with the key messages during a changeover;
- not all vulnerable people are in contact with a representative organisation, and would therefore need a variety of communication channels; and
- in the event of a changeover, 'user panels' consisting of individuals from identified vulnerable groups, should be set up to provide a direct input to changeover planning and communication.

# 8

## Forward work programme



- 8.1** Formal consultation on the third outline National Changeover Plan (oNCP3) will finish at the end of January 2004.
- 8.2** As part of the process of wider consultation on the Managed Transition Plan (MTP), the Euro Preparations Unit (EPU) is stepping up and extending engagement with key sectors and organisations, including SMEs, working through partner organisations and the new preparation committees in Scotland, Wales and Northern Ireland.
- 8.3** Each of the new preparations committees will meet again in early 2004. The committees will complete their local consultation on oNCP3 by the end of January 2004.
- 8.4** Following further consultation with all sectors of the UK economy, an updated version of the MTP will be made available by summer 2004.
- 8.5** A new, Integrated Communication Plan (ICP) will be produced by summer 2004 to complement the MTP.
- 8.6** The Debt Management Office will receive authority to incur expenditure on euro preparations in the next Finance Bill.
- 8.7** EPU will work with a group of local authorities to develop outline changeover plans.
- 8.8** All central government departments are revising their changeover plans, and the revised plans will undergo external verification by the next Budget. This will usually be in the form of a Gateway review.
- 8.9** An IT Managers' Group (ITMG) has been set up to provide a strategic analysis of IT preparations across the public sector.
- 8.10** EPU will continue to work with key stakeholders on planning for a cash changeover.
- 8.11** The City Euro Group will complete consultation on redenomination of sterling bonds and company share capital by 27 February 2004.
- 8.12** Draft codes of practice will be developed for the financial sector, utilities, the hospitality sector and the vending machine industry.
- 8.13** A Consumers' Working Group has been set up to develop policy on consumer protection in the event of a changeover.
- 8.14** Contacts with representatives of vulnerable groups will be extended.



# A Euro preparations committees

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## THE CHANCELLOR'S STANDING COMMITTEE ON EURO PREPARATIONS

The Rt Hon Gordon Brown, MP, Chancellor of the Exchequer (Chair)

Ruth Kelly, MP, Financial Secretary to the Treasury

The Rt Hon Peter Hain, MP, Secretary of State for Wales

The Rt Hon Alistair Darling, MP, Secretary of State for Scotland

The Rt Hon Paul Murphy, MP, Secretary of State for Northern Ireland

The Rt Hon Patricia Hewitt, MP, Secretary of State for Trade and Industry

Barry Sheerman, MP, Chair, Cross Party Group on Euro Preparations

Sir Andrew Turnbull, Head of the Home Civil Service

Sir Jeremy Beecham, Chair, Local Government Association

Stuart Etherington, Chief Executive, National Council for Voluntary Organisations

David Felwick, Chairman, British Retail Consortium

Sir Graham Hall, Chair of Chairs, Regional Development Agencies

Mervyn King, Governor, Bank of England

Digby Jones, Director General, Confederation of British Industry

Sir George Mathewson, President, British Bankers' Association

Callum McCarthy, Chairman, Financial Services Authority

Isabella Moore, President, British Chambers of Commerce

Brendan Barber, General Secretary, Trades Union Congress

## SCOTTISH EURO PREPARATIONS COMMITTEE

Secretary of State for Scotland (Chair)

Scotland Office (Secretariat)

Scottish Executive

HM Treasury (Financial Secretary)

Committee of Scottish Clearing Bankers

Confederation of British Industry (Scotland)

Convention of Scottish Local Authorities

## A Membership of the Standing Committee

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Federation of Small Businesses (Scotland)  
Scottish Consumer Council  
Scottish Council for Development and Industry  
Scottish Council for Voluntary Organisations  
Scottish Enterprise  
Scottish Financial Enterprise  
Scottish Retail Consortium  
Scottish Trades Union Congress  
The Scottish Chambers of Commerce

### **WALES EURO PREPARATIONS COMMITTEE**

Secretary of State for Wales (Chair)  
Wales Office (Secretariat)  
Welsh Assembly Government  
HM Treasury (Financial Secretary)  
Chamber Wales  
Chartered Accountants for Business in Wales  
Confederation of British Industry (Wales)  
Farmers' Union of Wales  
Federation of Small Businesses (Wales)  
Institute of Welsh Bankers  
National Farmers' Union  
NHS Wales  
Wales Council for Voluntary Action  
Wales Tourist Board  
Wales TUC  
Welsh Consumer Council  
Welsh Development Agency  
Welsh Language Board  
Welsh Local Government Association

## **NORTHERN IRELAND EURO PREPARATIONS COMMITTEE**

Secretary of State for Northern Ireland/Minister for Europe in Northern Ireland (Chair)

Department of Finance and Personnel (NI) (Secretariat)

Northern Ireland government departments

HM Treasury (Financial Secretary)

Chartered Institute of Marketing

Confederation of British Industry (Northern Ireland)

Federation of Small Businesses (Northern Ireland)

General Consumer Council for Northern Ireland

Institute of Directors (Northern Ireland)

Institute of Chartered Accountants (Ulster Society)

Northern Ireland Bankers' Association

Northern Ireland Centre for Competitiveness

Northern Ireland Chamber of Commerce and Industry

Northern Ireland Congress/Irish Congress of Trade Unions

Northern Ireland Council for Voluntary Action

Northern Ireland Local Government Association

Northern Ireland Tourism Industry Confederation



# B Other useful publications

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## **HM Treasury**

**[www.euro.gov.uk](http://www.euro.gov.uk)**

Third outline National Changeover Plan

June 2003

Euro Compatibility – A Technical Guide for Managers in Central Government

November 2001

Sixth business survey on dealing in euro now

November 2002

Sixth Report on Euro Preparations

July 2002

Lessons from the Changeover in the Euro Area:  
A summary of Reports by Private Sector  
Organisations in the UK

July 2002

## **Bank of England**

**[www.bankofengland.co.uk](http://www.bankofengland.co.uk)**

Practical Issues arising from the euro

May 1996 – Nov 2002

## **British Bankers' Association/ Association for Payment Clearing Services**

**[www.bba.org.uk](http://www.bba.org.uk)  
[www.apacs.org.uk](http://www.apacs.org.uk)**

The UK banking industry outline euro blueprint

June 2002

## **The British Chambers of Commerce**

**[www.britishchambers.org.uk](http://www.britishchambers.org.uk)**

Euro Fitness Guide: Steps that UK business  
can and should take now to ensure that they  
are ready for all eventualities

June 2002

## **British Retail Consortium**

**[www.brc.org.uk](http://www.brc.org.uk)**

Implementing the Euro in Retail:  
How eurozone retailers managed the changeover

April 2002

## **European Central Bank**

**[www.ecb.int](http://www.ecb.int)**

Evaluation of the 2002 cash changeover

April 2002

## **European Commission**

**[www.europa.eu.int](http://www.europa.eu.int)**

Review of the introduction of euro notes and coins  
(COM(2002)124 final)

March 2002

The introduction of euro banknotes and coins –  
one year after  
(COM(2002)747 final)

December 2002



# C List of technical terms and abbreviations

The following list includes terms and abbreviations used in this report, and other euro-related terms that may be useful.

	<b>Definition</b>
Big bang	Conversion from legacy currency to euro on a single date.
Bank	Bank of England.
Cash changeover	The process of changing notes and coins from sterling to euro.
CCWG	Core Communicators Working Group.
CEG	City Euro Group.
Chip and PIN	A method of verifying electronic payments by credit or debit card, where the customer uses a security number to authorise a transaction at the point of sale.
CITs	Cash in transit companies.
Commission	The European Commission.
Consumer code	A voluntary code of practice designed to promote best practice during a changeover. There would be different codes for each main sector. Consumer codes cover such things as dual display of prices, rounding and smoothing, and meeting the needs of vulnerable groups.
D	Decision. The Government's decision on EMU membership.
Dehoarding	The process of returning to circulation notes and, in particular, coins that have been saved or accumulated by citizens.
DMO	Debt Management Office.
Dual currency period	The period during which sterling notes and coins would circulate alongside euro notes and coins.
Dual display of prices	The display of prices for goods and services in both euro and sterling.
DWP	Department for Work and Pensions.
EC	European Commission.
ECB	European Central Bank.

## C List of technical terms and abbreviations

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ECS	Euro Changeover Secretariat. The working title for the Government body that would oversee a UK changeover.
E day	The point at which UK euro notes and coins would be introduced into circulation and become legal tender in the UK. Also the point at which non-cash transactions would have to be in euro.
EMU	Economic and Monetary Union.
EPU	The Euro Preparations Unit in the Treasury.
EU	European Union.
EUR	The currency indicator for euro.
Euro	The common currency of the euro area.
Euro area	All the Member States of the European Union who use the euro as a common currency.
Euro compatibility	A term used to signal that a system has the capability to work with euro.
Financial year	A single calendar year defined for accounting purposes. Can begin on any date.
Fiscal year/tax year	The UK's tax year begins on 6 April each year.
Fixed exchange rate	The rate of exchange at which the euro and sterling would be locked. This would take place at T.
Frontloading	The supply of euro notes and coins to retail banks in advance of E day.
GAAP	Generally Accepted Accounting Principles.
Gateway/Gateway Review	A review of programme and/or project planning to check methodology against best practice. Conducted through the Office of Government Commerce.
ICP	Integrated Communication Plan.
IEP	The currency indicator for the Irish punt.
Information multipliers	Individuals or organisations that help spread information by passing it on to those with whom they have contact.
Internal conversion	The process by which an organisation would make the change from operating in a sterling environment to a euro environment. This could include switching the base currency for accounting from sterling to euro, training staff, and adopting new forms for issuing invoices.
ITMG	IT Managers' Group.

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Legacy currency	The former national currency of a country that has adopted the euro.
Legal tender	Legal tender is not a means of payment that must be accepted by the parties to a transaction, but a legally defined means of payment that should not be refused by a creditor in satisfaction of a debt.
Mint	Royal Mint.
MTAG	Managed Transition Advisory Group.
MTP	Managed Transition Plan.
NCWG	Notes and Coins Working Group.
NDPB	Non-Departmental Public Body.
NHS	National Health Service.
NIEPC	Northern Ireland Euro Preparations Committee.
Northern Ireland departments	The Northern Ireland Assembly was suspended from midnight on 14 October 2002 and was dissolved on 28 April 2003. During devolution, economic and social matters are the responsibility of the Northern Ireland Executive. With devolution suspended, the Secretary of State for Northern Ireland, assisted by his team of Northern Ireland Office Ministers, has assumed responsibility for the direction and control of the Northern Ireland departments.
OGC	Office of Government Commerce.
oNCP3	The third outline National Changeover Plan.
ONS	Office for National Statistics.
PIN	Personal Identification Number.
PoS	Point of Sale.
Price transparency	The ability to understand and compare euro prices for goods and services across different countries in the euro area.
R	Referendum. The date that would be selected to seek views of UK citizens on whether the UK should join EMU.
Redenomination	Conversion of an amount of money from one currency to another.
Regulators	Those with responsibility for ensuring that legal requirements are met, and that standards of best practice are set and upheld.

## C List of technical terms and abbreviations

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Rounding	<p>Part of the process of converting legacy currency to euro. There are strict rules about how this must be done. European Union Regulations state that currency amounts must be converted using the fixed conversion rate of six significant figures. Calculations must be made EUR 1 : to national currency unit. Inverse rates must not be used. The amount in euro must then be rounded to the nearest euro cent:</p> <ul style="list-style-type: none"><li>• figures ending in 5 and above must be rounded up; and</li><li>• figures ending in 4 and below must be rounded down.</li></ul> <p>The conversion rate must never be rounded.</p>
RT	Retail Transition. The date from which retail banking and payments systems would be available in euro.
S	Sterling withdrawal. End of dual circulation period. After this date, only euro would be legal tender in the UK.
Scotland Office	The role of the Secretary of State and the Scotland Office is to represent Scottish interests in matters that are reserved to the United Kingdom Parliament and promote the devolution settlement for Scotland.
Scottish Executive	The Scottish Executive is the government in Scotland for all devolved matters. At devolution, the powers and duties exercised by UK ministers in Scotland, relating to the devolved matters, were transferred to the Scottish Ministers. Most of the responsibilities previously held by the Scottish Office have become part of the remit of the Scottish Executive.
SEPC	Scottish Euro Preparations Committee.
SME	Small-and Medium-sized Enterprise.
Smoothing	The process of changing an awkward number after euro conversion to a more acceptable or memorable number. This could happen, for example, if a computer only accepts numbers without decimal points: a figure in legacy currency which converted to EUR 5.02 could be smoothed to EUR 5.

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Standing Committee	The Chancellor's Standing Committee on Euro Preparations.
Starter kits	A sample set of euro coins available for purchase before E day.
Stored data	Information held on systems (IT or otherwise) that exists before E day.
Sub-frontloading	The distribution of UK euro notes and coins to retailers before E day.
T	The date of joining EMU and start of transition period. From T, sterling would become a subset of euro.
TARGET	Trans-European Automated Real-Time Gross Settlement Express Transfer system: links the 15 euro-denominated RTGS systems in the EU and the ECB payment mechanism, to provide an EU-wide RTGS system.
Transition period	The period from the locking of exchange rates between sterling and euro (T) until the introduction of euro notes and coins (E day).
WWG	Vulnerables Working Group.
Wales Office	The Wales Office came into being on 1 July 1999 when most of the powers of the Welsh Office were handed over to the National Assembly for Wales. Based in Whitehall, the Secretary of State for Wales is the key Government figure liaising with the devolved administration in Wales and representing Wales' interests in the Cabinet and in Parliament.
Welsh Assembly Government	The Welsh Assembly Government is the First Minister and his Cabinet. Most Assembly staff support the Assembly Cabinet. They help to formulate and implement policies on behalf of the Cabinet, and administer the public services for which the Assembly is directly responsible. The remainder of the staff support the Presiding Officer.
WEPC	Wales Euro Preparations Committee.

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