

Report on euro preparations

April 2004



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Report on
euro preparations

April 2004

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Foreword by the Financial Secretary to the Treasury, Ruth Kelly, MP



I am delighted to present this report on euro preparations, setting out the progress that has been made in euro preparations across the UK economy since the previous report, published in November 2003. The Government remains committed to ensuring that the UK would be prepared to join a successful single currency, if that is what Government, Parliament and the people, in a referendum, decide.

Since the publication of the *third outline National Changeover Plan* in June 2003, the Government has consulted widely on the proposed approach to a changeover. A change of currency would involve every sector of the economy, and it would be important that the proposed approach to a changeover was understood and accepted by all who would play a role in its implementation. I would like to take this opportunity to thank all those individuals and organisations that have participated in the consultation process, and contributed to planning for a possible future changeover.

Stakeholders across the economy have confirmed that they could meet the outline timetable for a possible future UK changeover. Organisations that have not yet considered the issues arising from a possible UK changeover should take time to familiarise themselves with the proposed timetable as part of the normal business planning process.

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

RUTH KELLY, MP
Financial Secretary to the Treasury

Executive summary

I INTRODUCTION

- The Government's policy on membership of the single currency was set out by the Chancellor in his statement to Parliament in October 1997. In principle, the Government is in favour of UK membership; in practice, the economic conditions must be right. The determining factor is the national economic interest and whether, on the basis of an assessment of the five economic tests, the economic case for joining is clear and unambiguous.
- An assessment of the five economic tests was published in June 2003. This concluded that, "since 1997, the UK has made real progress towards meeting the five economic tests. But, on balance, though the potential benefits of increased investment, trade, a boost to financial services, growth and jobs are clear, we cannot at this point in time conclude that there is sustainable and durable convergence or sufficient flexibility to cope with any potential difficulties within the euro area."
- The Chancellor's statement to the House of Commons on 9 June 2003 on UK membership of the European single currency set out a reform agenda of concrete and practical steps to address the policy requirements identified by the assessment. While the Government did not propose a euro assessment be initiated at the time of Budget 2004, the Treasury will again review progress at Budget time next year.

.....
Government policy
on membership of
the single currency

2 CONSULTATION ON *THIRD OUTLINE NATIONAL CHANGEOVER PLAN*

- The third outline National Changeover Plan (oNCP3) was published alongside *UK Membership of the single currency. An assessment of the five economic tests* on 9 June 2003. ONCP3 provides a comprehensive statement of how the Government would manage a UK changeover to the euro if that is what Government, Parliament and the people, in a referendum, decide.
- At the time of the five tests assessment on 9 June, printed copies of oNCP3 were distributed widely to key stakeholders. Following the publication of oNCP3, officials from the Euro Preparations Unit in the Treasury (EPU) have consulted widely on the approach to a changeover, using a variety of channels.
- Many respondents commented that oNCP3 is a comprehensive and well-structured document that represents a significant step forward in changeover planning. Respondents also noted that the Government has consulted widely in developing changeover policy, and that the list of organisations provided at Annex I of oNCP3 demonstrates this coverage. An updated list of organisations involved in changeover planning is at Annex D of this report.

.....
Consultation

Executive summary

Timetable

- Respondents from all sectors of the economy confirmed that they could meet the overall timetable of around 30 months from a possible “yes” vote in a referendum (R) to the introduction of euro cash (E day). Respondents from all sectors of the economy would welcome further detail on the outline timetable as soon as this becomes available.

E day

- Respondents from all sectors of the economy confirmed that they would be able to work to the Government’s preferred date for E day of 6 April in the relevant year. A number of organisations and sectors welcomed this date, and recognised that it would be helpful if E day fell at the start of the fiscal year.

Communication

- Respondents from all sectors of the economy confirmed the need for a central communication programme with a particular focus on the needs of small business, consumers and vulnerable groups. Respondents from all sectors of the economy confirmed that a central communication programme would need to be supported by the communication programmes of individual organisations, representative groups and umbrella bodies.

Consumer codes of conduct

- Business respondents are content with the proposal to introduce voluntary sectoral consumer codes of conduct. Voluntary sector respondents and consumer bodies have concerns that a voluntary approach will not prove sufficiently robust to protect the interests of consumers in the event of a changeover.
- Points raised during this consultation are being taken forward by EPU, in discussion with relevant stakeholders. Reports on euro preparations provide a regular update on progress, and further information on each workstream can be found in the relevant chapters of this report. EPU continues to consult widely across the economy in further developing aspects of changeover policy.

3 CONSUMER PROTECTION AND COMMUNICATION

Consumer protection framework

- The Consumers’ Group is working with EPU to develop a consumer protection framework for a UK changeover, setting out how the Government would ensure a high degree of confidence that consumers would be treated fairly in the event of a changeover. The framework will include the following elements:
 - guidance on using existing legislative and regulatory provisions to support consumers during a UK changeover;
 - consumer codes of conduct for individual sectors, based on a set of core principles applicable to all codes;
 - sources of direct advice and support for consumers, for example, a national telephone helpline; and
 - detail of the proposed price monitoring arrangements during a changeover, including consideration of whether additional price information collection would be required during the changeover period.

- Draft consumer codes of conduct for retailers, transport providers and the public sector were published in oNCP3. No adverse comments were received on the draft public sector consumer code of conduct, which has now been finalised. The public sector consumer code of conduct is reproduced at Annex B. This code can now be specified in outsourcing, IT and other contracts for the provision of public services.
- Work is in progress on codes for the insurance sector, banks and utilities. Further codes will be considered for the following sectors:
 - the vending machine industry;
 - hospitality;
 - the legal profession;
 - estate agents;
 - direct mailing organisations; and
 - wholesalers.
- As reported in the *Seventh report on euro preparations* (REP7), published in November 2003, EPU is working with stakeholders across the economy to develop an Integrated Communication Plan (ICP) by autumn 2004. The ICP will be a companion document to the Managed Transition Plan (MTP), published at Annex B of oNCP3. The MTP sets out what euro-denominated services would be provided when, and by whom, during a possible future UK changeover. The ICP will set out how business and citizens will be provided with information from organisations across the economy.
- Working with members of the Vulnerable Communities and Citizens Working Group, EPU is mapping the incidence of potentially vulnerable groups across the UK, in order to plan how their communication needs could be met. In addition to working through representative groups such as RNIB, RNID and Mencap, a Euro Changeover Secretariat (ECS) would need to use a range of methods to reach the many potentially vulnerable people who are not in contact with a representative organisation.

4 PUBLIC SECTOR PREPARATIONS

- Central government departments have revised plans in line with the new certainties presented in oNCP3. Planning has been subjected to OGC Gateway™ reviews, or equivalent, to ensure that programme management arrangements conform to best practice. Many of these reviews are now complete.
- Departments are now aiming to complete the planning phase of their preparations process. A set of criteria has been agreed by the committee of Euro Ministers (see Box 4.1) and, once a department's planning meets all of these criteria, they will have completed this phase. Once the planning phase has been completed, it will be important that departments maintain and consolidate their preparedness. Criteria for the next phase in euro preparations are at Box 4.2.

Consumer codes
of conduct

Integrated
Communication Plan

Vulnerable
communities and
citizens

Central
government
departments

Executive summary

Local authorities

- EPU is working with a group of local authorities to produce changeover plans. Central government officials, along with EPU, have reviewed plans and given feedback to improve the plans further. Plans should be completed by summer 2004; the authorities will consider having them externally verified, for example, through OGC Gateway™. These local authorities can then move to the next phase of euro preparations, along with central government departments.
- The Local Government Association (LGA) and the Office of the Deputy Prime Minister (ODPM) recently set up a sub-group of the Central-Local Partnership Working Group (CLP) to look at euro preparations. The first meeting of the sub-group is planned for May 2004.

5 VOLUNTARY SECTOR PREPARATIONS

NCVO report

- Voluntary sector preparations are progressing well. In February 2004, the National Council for Voluntary Organisations (NCVO) published a report, “Ready for Change?”, looking at the potential impact of a euro changeover on the voluntary sector (see Box 5.1). The report makes recommendations for further research; the Government is considering how best to take this forward.
- Work is in progress on two fronts:
 - appropriate preparations by voluntary sector organisations, taking into account the diversity of the sector; and
 - the role of the voluntary sector in helping to inform vulnerable groups in the event of a changeover.

6 PRIVATE SECTOR PREPARATIONS

Financial services

- Some large organisations in the financial services sector are well advanced in their euro preparations, with detailed plans in place. EPU is working with the sector to ensure that, where plans are in place, they remain comprehensive and up-to-date, and institutional memory is retained. EPU is working with stakeholders across the sector to ensure that euro compatibility is built into decision-making where it represents value for money.

Retail banks and building societies

- Preparations in some retail banks and building societies are well advanced. For those organisations with detailed plans in place, the focus of euro preparations is now to ensure institutional memory is retained and planning remains robust and up-to-date. A high level checklist for organisations is published at Box 6.1. EPU continues to monitor the state of preparedness across the sector, providing guidance and support to the planning process.

Insurance

- Planning across the insurance industry continues to progress well. Some insurers have detailed plans in place and the focus of their euro preparations is now to ensure institutional memory is retained and their planning remains robust, complete and up-to-date. EPU is monitoring the state of preparedness across the sector, providing guidance and support to the planning process.

- EPU is supporting planning across the retail sector, working through the British Retail Consortium and the Association of Convenience Stores. Contacts have been extended to include the sector's smaller trade associations, as well as individual retailers. The sector continues to provide key support in taking forward planning for a cash changeover, and in helping to build lessons from the impact of major initiatives such as "Chip and PIN" into other planning work.
- The utilities sector, through the Utilities Forum and its members, are playing an active role in euro preparations, in particular in the development of the MTP. Since the last report on euro preparations, representatives of the sector have also engaged with local authorities and others to discuss the impact on their billing cycles of the Government's preferred date for E day of 6 April in the relevant year.
- 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 MTP means for them and, where necessary, 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 and taken action. Businesses that have not yet considered the issues are encouraged to do so.
- A revised and updated version of the MTP will be made available by autumn 2004.
- The Notes and Coins Working Group (NCWG) and its members are taking forward planning for a possible cash changeover. Working alongside members of the group, EPU is developing the remit for a possible cash changeover plan announced in oNCP3.
- In January 2004, the Government published the second edition of *Euro compatibility: a guide for managers*. Public and private sector organisations would benefit from considering issues of euro compatibility when upgrading systems or business processes. In many cases, euro compatibility can be built in at no, or marginal cost. Planning now could save resources in the future.
- The Government also continues to work with businesses and business representative organisations to ensure that the impact of the euro on UK business competitiveness is recognised and addressed. The Government makes free information available to business from the euro helpline (08456 01 01 99) and online from the Treasury's euro website (www.euro.gov.uk).

Retailers

Utilities

SMEs

Managed Transition Plan

Cash changeover

Euro compatibility

Euro as a foreign currency

7 WHOLESALE FINANCIAL MARKETS

City Euro Group

- The Bank of England (the Bank) continues to co-ordinate euro preparations in sterling wholesale financial markets through the City Euro Group (CEG), a representative body of City market associations and financial institutions, which meets at regular intervals. Over the past few months, the focus has been on the technical issues that financial market-related legislation in the UK would need to cover.
- If the UK were to join EMU, financial market-related legislation would be needed in the UK to facilitate the redenomination of sterling bonds and company share capital. The CEG published a consultation document in REP7. This represents a broad consensus among market participants.
- In consultation with the Inland Revenue, the CEG has also started to consider the tax implications of a euro changeover in sterling wholesale financial markets. Box 7.1 sets out the draft principles underlying the Inland Revenue's proposed approach.

8 REPORTS FROM PREPARATIONS COMMITTEES IN SCOTLAND, WALES AND NORTHERN IRELAND

Scotland

- The Scottish Euro Preparations Committee met on 26 April 2004 to review progress in euro preparations in Scotland. The next meeting of the committee is planned for autumn 2004. ONCP3 continues to be kept under review by Scottish Executive departmental euro co-ordinators.
- EPU has also assisted the Scottish Executive in communicating and publicising euro preparations to other parts of the public, private and voluntary sectors in Scotland.

Wales

- The Wales Euro Preparations Committee met on 8 March 2004 to review progress in euro preparations in Wales. The next meeting of the committee is planned for summer 2004.
- Welsh Assembly Government and EPU met with Assembly Sponsored Public Bodies (ASPBs) in March 2004 to encourage appropriate preparations and to promote *Euro compatibility: a guide for managers* for consideration in procurement.

Northern Ireland

- The Northern Ireland Preparations Committee met on 25 March 2004 to review progress in euro preparations in Northern Ireland. The next meeting is planned for autumn 2004.
- Appropriate preparations are being encouraged by EPU and Northern Ireland Departments in the wider public sector in Northern Ireland, including in non-departmental public bodies (NDPBs).

Introduction

The Government's policy on membership of the single currency was set out by the Chancellor in his statement to Parliament in October 1997. In principle, the Government is in favour of UK membership; in practice, the economic conditions must be right. The determining factor is the national economic interest and whether, on the basis of an assessment of the five economic tests, the economic case for joining is clear and unambiguous.

1.1 An assessment of the five economic tests was published in June 2003. This concluded that, "since 1997, the UK has made real progress towards meeting the five economic tests. But, on balance, though the potential benefits of increased investment, trade, a boost to financial services, growth and jobs are clear, we cannot at this point in time conclude that there is sustainable and durable convergence or sufficient flexibility to cope with any potential difficulties within the euro area."

1.2 The Chancellor's statement to the House of Commons on 9 June 2003 on UK membership of the European single currency set out a reform agenda of concrete and practical steps to address the policy requirements identified by the assessment. Steps so far include:

- switching the symmetric inflation target to one measured by the Consumer Prices Index (CPI);
- the publication of the draft euro referendum bill on 10 December 2003;
- reforms to address both supply and demand in the housing market; and
- reforms at national, regional and local level to enhance the flexibility of labour, capital and product markets in the UK. The Government is committed to publishing six-monthly reports on trends and progress in increasing flexibility in the UK economy. The second flexibility report was published alongside Budget 2004.

1.3 While the Government did not propose a euro assessment be initiated at the time of Budget 2004, the Treasury will again review progress at Budget time next year.

1.4 Copies of the Budget document are available on the Treasury website, www.hm-treasury.gov.uk or from the Treasury at:

Correspondence and Enquiry Unit
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Tel: +44 (0) 20 7270 4558

Fax: +44 (0) 20 7270 4574

E-mail: public.enquiries@hm-treasury.gov.uk

1.5 The Government is committed to ensuring that the UK retains a genuine option to join a successful single currency if that is what Government, Parliament and the people, in a referendum, decide. The policy of “prepare and decide” has been in place since 1997, and the Euro Preparations Unit in the Treasury (EPU) works with stakeholders across the economy to ensure that euro preparations are at an appropriate level.

1.6 The Government issues six-monthly reports on euro preparations (the *Seventh report on euro preparations* was published on 18 November 2003). The reports set out the progress that has been made across the economy in euro preparations, and identify areas for further work.

2 Consultation on third outline National Changeover Plan



The *third outline National Changeover Plan* (oNCP3) was published alongside *UK Membership of the single currency. An assessment of the five economic tests* on 9 June 2003. ONCP3 provides a comprehensive statement of how the Government would manage a UK changeover to the euro if that is what Government, Parliament and the people, in a referendum, decide.

Since the publication of oNCP3, the Government has consulted widely on the proposed approach to a changeover. A change of currency would involve every sector of the economy, and it would be important that the proposed approach to a changeover was understood and accepted by those who would play a role in its implementation.

DISTRIBUTION

2.1 At the time of the five tests assessment on 9 June, printed copies of oNCP3 were distributed widely to key stakeholders. ONCP3 was included in the pack of core documents accompanying the five tests assessment, and was also mailed separately to over one thousand stakeholders involved in the development of changeover policy. All central government departments received at least one copy, as did all local authorities in England and Wales. Since June 2003, over two thousand printed copies have been distributed.

2.2 An electronic version has been placed on the Government's euro website, **www.euro.gov.uk**. Since 9 June 2003, more than 20,000 electronic copies have been downloaded by visitors to the site.

2.3 ONCP3 remains available in electronic form at **www.euro.gov.uk**. Printed copies of oNCP3 can be ordered direct from the website, or requested from:

Euro Preparations Unit
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

or by telephone from: 08456 01 01 99.

CONSULTATION

2.4 Following the publication of oNCP3, officials from the Euro Preparations Unit in the Treasury (EPU) have consulted widely on the approach to a changeover. The consultation has been conducted through a variety of channels:

- formal written responses have been received from a number of organisations, both directly, and through the euro preparations committees in Scotland, Wales and Northern Ireland. Copies of formal, written responses have been placed on the Government's euro website, **www.euro.gov.uk**;
- email responses have been received through a dedicated email address, **changeover.plan@hm-treasury.gov.uk**;
- euro preparations committees in Scotland, Wales and Northern Ireland have conducted consultations and submitted a summary response to the Chancellor's Standing Committee on Euro Preparations;
- oNCP3 has been discussed in round-table session at the working groups and committees administered by EPU;
- EPU has conducted a comprehensive series of bilateral meetings with stakeholder organisations across the economy, at which verbal feedback has been sought;
- senior Treasury officials have presented the key elements of oNCP3 at a number of seminars and other events, where participants have been given the opportunity to make comments and ask questions.

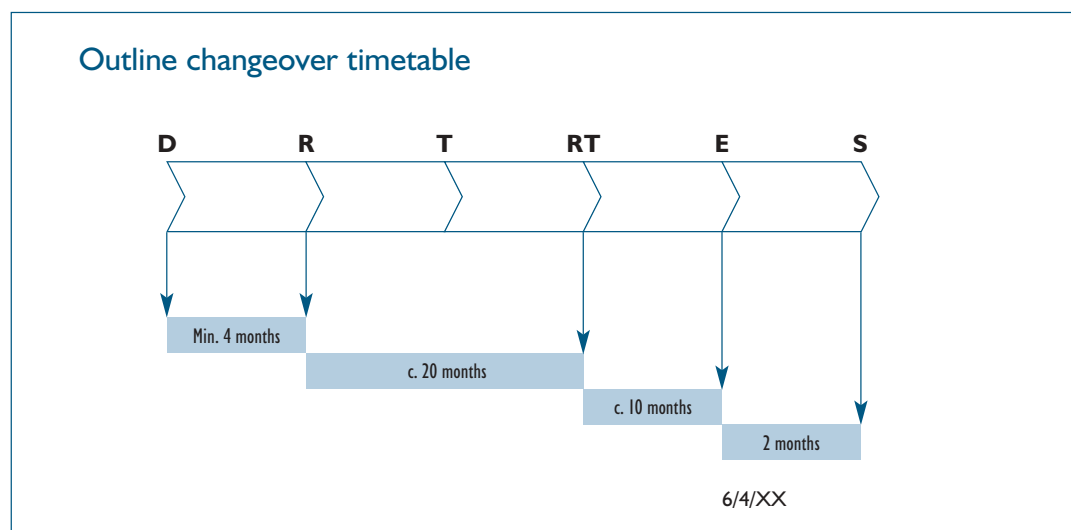
2.5 The *Seventh report on euro preparations* (REP7), published in November 2003, announced that the consultation period would close at the end of January 2004, just over seven months after publication of oNCP3. This chapter summarises the main findings of this consultation period. The term 'respondents' has been used as a shorthand for all those who have expressed a view, and includes a wider constituency than those submitting a formal written response. A list of all organisations that have been involved in changeover planning is at Annex D.

2.6 During the consultation process, a number of respondents requested a shorter, summary version of oNCP3 to help in their own stakeholder consultation and information. The Government will shortly publish a leaflet, planned for May 2004 – "Euro preparations: what you need to know" – designed for small- and medium-sized organisations. Copies of the leaflet will be available on the Government's euro website, **www.euro.gov.uk**, or from:

Correspondence and Enquiry Unit
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ
0207 270 4558

SUMMARY OF RESPONSES

2.7 Many respondents commented that oNCP3 is a comprehensive and well-structured document that represents a significant step forward in changeover planning. Respondents also noted that the Government has consulted widely in developing changeover policy, and that the list of organisations provided at Annex I of oNCP3 demonstrates this coverage. An updated list of organisations involved in changeover planning is at Annex D of this report.



Outline timetable

- **Respondents from all sectors of the economy** confirmed that they could meet the overall timetable of around 30 months from a possible “yes” vote in a referendum (R) to the introduction of euro cash (E day).
- **Respondents from all sectors of the economy** noted that they would want to know the date on which the UK would join (T) and the fixed, official exchange rate as soon as possible.
- **Respondents from all sectors of the economy** would welcome further detail on the outline timetable as soon as this becomes available. In particular, many financial services respondents have requested that the period between a future Government decision to recommend joining and any actual date of joining (D–T) be confirmed as a minimum of 12 months.
- **Financial services respondents** noted the possible interdependencies between a euro changeover and the introduction of a range of new regulations that might come into force around the same time, depending on the date of any future Government decision (D).

Preferred date for E day, 6 April in the relevant year

- **Banking sector respondents** accepted the preferred date of 6 April, whilst noting that this would fall at a period of high business activity. In their view, E day would have to fall at the end of a period of three to four consecutive non-business days, in order that the conversion process could be completed smoothly.
- **Retail sector respondents** welcomed the fact that the proposed date would not fall during the Christmas and New Year trading peak. Respondents noted, however, that the Government's preferred date for E day of 6 April in the relevant year would fall around the Easter trading peak. Most respondents confirmed that retailers could accommodate E day on 6 April, providing that the date was confirmed early in the changeover period.
- **Central government departments** welcomed the choice of 6 April, as this would coincide with the start of the fiscal year, a time when financial and other systems are typically updated.
- **The vending machine industry** welcomed the choice of 6 April. The vending machine industry would need to mobilise significant resources in order to convert machines from sterling to euro, but this would be achievable.
- **Business respondents** broadly accepted the preferred choice of 6 April, and could see the advantages of E day coinciding with the start of a fiscal year. However, some respondents noted a preference for an E day coinciding with the end of an accounting period, for example, the end of a calendar month, or the end of a quarter.

Approach to communication

- **Respondents from all sectors of the economy** confirmed the need for a central communication programme with a particular focus on the needs of small business, consumers and vulnerable groups.
- **Respondents from all sectors of the economy** welcomed the emphasis on meeting the needs of vulnerable groups. Organisations representing vulnerable groups have made specific suggestions about how the communication strategy could be strengthened in this area, including:
 - the provision of further detail about specific materials that would be provided for vulnerable groups; and
 - the provision of further detail about how vulnerable citizens and communities would be involved in decision-making during a changeover.
- **Respondents from all sectors of the economy** confirmed that a central communication programme would need to be supported by the communication programmes of individual organisations, representative groups and umbrella bodies.

Approach to consumer protection

- **Business respondents** are content with the proposal to introduce voluntary sectoral consumer codes of conduct.
- **Voluntary sector respondents and consumer bodies** have concerns that a voluntary approach will not prove sufficiently robust to protect the interests of consumers in the event of a changeover.
- **Consumer bodies** made a number of specific recommendations for strengthening the proposed approach to consumer protection, including:
 - mandatory dual pricing (rather than the proposed voluntary approach);
 - a “price freeze” following E day, such as happened at decimalisation; and
 - an extended period of dual pricing, beyond the proposed four months before, and two months following, E day.

Approach to the management of a changeover

- **Respondents from all sectors of the economy** are content with the outline proposals for the management of a changeover.

2.8 Points raised during this consultation are being taken forward by EPU, in discussion with relevant stakeholders. Reports on euro preparations provide a regular update on progress, and further information on each workstream can be found in the relevant chapters of this report. EPU continues to consult widely across the economy in further developing aspects of changeover policy.

3 Consumer protection and communication



Working with the Consumers' Group, further progress has been made towards developing a consumer protection framework and in drafting consumer codes of conduct for additional sectors across the economy. Following the end of the consultation period on the *third outline National Changeover Plan (oNCP3)*, published in June 2003, the public sector consumer code of conduct has been finalised (see Annex B).

Officials from the Euro Preparations Unit in the Treasury (EPU) have consulted stakeholders on the proposed Integrated Communication Plan (ICP), which has been welcomed. Organisations are providing contributions, and the first version of the ICP will be available by autumn 2004.

CONSUMER PROTECTION

3.1 The *Seventh report on euro preparations (REP7)*, published in November 2003, announced that the Treasury had established a Consumers' Group to consider the issue of consumer protection in the event of a UK changeover to the euro. This group consists of representatives from the following groups: consumers, for example, the Consumers' Association and Citizens Advice; the business community, for example, the British Retail Consortium and the Forum for Private Business; and public sector organisations responsible for consumer policy, for example, the Department of Trade and Industry and LACORS (Local Authority Co-ordinators of Regulatory Services).

3.2 The Consumers' Group focuses on planning to ensure a high degree of confidence among consumers that they would be treated fairly in the event of a UK changeover. In the euro area, most consumers feel that they were disadvantaged by the currency change. Although official figures suggest that the inflationary effect of the currency change was small (between 0.0% and 0.2%), research on behalf of the European Commission found that 89% of consumers felt that they had been disadvantaged by the changeover¹.

CONSUMER PROTECTION FRAMEWORK

3.3 The Consumers' Group is working with EPU to develop a consumer protection framework for a UK changeover, setting out how the Government would ensure a high degree of confidence among consumers that they would be treated fairly in the event of a changeover. The framework will include the following elements:

- guidance on using existing legislative and regulatory provisions to support consumers during a UK changeover;
- consumer codes of conduct for individual sectors, based on a set of core principles applicable to all codes;

¹ Eurobarometer 153, The €uro, two years later, December 2003.

3 Communication and consumer protection

- sources of direct advice and support for consumers, for example, a national telephone helpline; and
- detail of the proposed price monitoring arrangements during a changeover, including consideration of whether additional price information collection would be required during the changeover period.

Box 3.1

Core principles for consumer codes of conduct

- If a price was shown in sterling and in euro, then the two figures should be equivalent in value, and it should be clear which amount was which. It would have to be clear how a customer could pay.
- Prices would have to be converted using the official, fixed conversion rate, and 'rounded' to the nearest cent following the official rules.
- If both currencies were accepted, customers paying in sterling and in euro would have to be treated equally (although there could be a clearly displayed charge for accepting euro cash before E day).
- Clear and relevant information would have to be provided to help customers.
- From at least four months before E day, and for at least two months after E day, customers should have access to information to help them compare prices in sterling and in euro.
- Some people might need extra help in getting used to the euro. Organisations would have to take their needs into account.
- Staff who dealt with customers would have to be well trained, and able to give straightforward and relevant information about how their organisation was dealing with the euro.
- If an organisation displayed a logo to show that they followed a consumer code of practice, they would have to include a telephone number in case of questions or complaints.

CONSUMER CODES OF CONDUCT

3.4 Draft consumer codes of conduct for retailers, transport providers and the public sector were published in oNCP3. The draft public sector consumer code of conduct has now been finalised. The public sector consumer code of conduct is reproduced at Annex B. This code can now be specified in outsourcing, IT and other contracts for the provision of public services. The Office of Government Commerce (OGC) is considering how best to provide further support to public sector organisations in using the public sector consumer code of conduct. Other sectors and organisations may find the public sector consumer code of practice helpful as a model.

3.5 A key element of the public sector consumer code of conduct is the provision that prices, benefits and charges would not normally be “smoothed”. This means that an amount would be directly converted, and the same price charged in euro as in sterling. So, for example, a charge of IEPI 5 in Ireland, which converted to EUR19.05 at the official rate, would be applied at EUR19.05, not EUR19 or EUR20. Where smoothing was essential, for example due to an IT system which could not accept cents, it would be in favour of the citizen.

3.6 Work is in progress on codes for the insurance sector, banks and utilities. Further codes will be considered for the following sectors:

- the vending machine industry;
- hospitality;
- the legal profession;
- estate agents;
- direct mailing organisations; and
- wholesalers.

INTEGRATED COMMUNICATION PLAN

3.7 As reported in REP7, EPU is working with stakeholders across the economy to develop an Integrated Communication Plan (ICP) by autumn 2004.

3.8 The ICP will be a companion document to the Managed Transition Plan (MTP), published at Annex B of oNCP3. The MTP sets out what euro-denominated services would be provided when, and by whom, during a possible future UK changeover. The ICP will set out how business and citizens will be provided with information from organisations across the economy.

3.9 In the event of a UK changeover to the euro, a central body (a Euro Changeover Secretariat, ECS) would be established to manage and co-ordinate the UK changeover. A UK-wide programme of communication, commissioned and delivered by an ECS, would ensure that all citizens had access to the information they would need to participate successfully in a changeover.

3.10 Individual organisations and sectors would need to consider the communication needs of their clients and customers. Communication planning would be an important part of any individual organisation’s changeover plan. The aim of the ICP is to help ensure that the communication plans of organisations across the economy are integrated as appropriate both with each other and with the central communication programme.

3.11 In the event of a changeover, an ICP would become a key management tool in the co-ordination of the central communication programme with the communication plans of organisations across the economy.

MEETING THE NEEDS OF VULNERABLE GROUPS

3.12 The Vulnerable Communities and Citizens Working Group was formed in March 2003 to ensure that the needs of vulnerable groups are taken into account in changeover planning. The group includes representatives from organisations experienced in working with groups who might encounter specific problems during a changeover.

3.13 As reported in REP7, the Vulnerable Communities and Citizens Working Group is being expanded to include representatives from a wider range of organisations, including homeless people, people with mental health issues, people who live in remote areas and people for whom English is not their first language.

3.14 Working with members of the Vulnerable Communities and Citizens Working Group, EPU is mapping the incidence of potentially vulnerable groups across the UK, in order to plan how their communication needs could be met. In addition to working through representative groups such as RNIB, RNID and Mencap, an ECS would need to use a range of methods to reach the many potentially vulnerable people who are not in contact with a representative organisation.

4 Public sector preparations



Preparations in central government departments are well advanced. All departments have plans in place. Work is now continuing to ensure that these plans can progress to the next phase in euro preparations. Government has published a set of criteria which departments can use to check that plans meet the requirements of the planning phase (see Box 4.2 below).

Officials from the Euro Preparations Unit in the Treasury (EPU) are working with a group of local authorities to produce model changeover plans. Work is progressing well, and high-quality plans are being produced. A sub-group of the Central-Local Partnership Working Group (CLP) has been set up to facilitate changeover planning in local authorities.

CENTRAL GOVERNMENT PREPARATIONS

4.1 For the past ten months, central government departments have been ensuring that their plans meet the highest standards of professionalism. So, as was announced in the *Seventh report on euro preparations* (REP7), published in November 2003, departments have revised plans in line with the new certainties presented in the *third outline National Changeover Plan* (oNCP3), published in June 2003. Planning has been subjected to Office of Government Commerce (OGC) Gateway™ reviews, or equivalent, to ensure that programme management arrangements conform to best practice. Many of these reviews are now complete. 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. Further information about the Gateway™ review process can be found on the OGC website, www.ogc.gov.uk.

4.2 Departments are now aiming to complete the planning phase of their preparations process. A set of criteria has been agreed by the committee of Euro Ministers, and, once a department's planning meets all of these criteria, they will have completed this phase.

Box 4.1

Completion of planning phase of euro preparations for central government departments

A set of criteria has been agreed by the committee of Euro Ministers: once a department's planning meets all of these criteria, the planning phase of euro preparations is considered complete:

- a single, living planning document, or a collation of existing documents in a coherent and clear way to ensure that there are no gaps or inconsistencies;
- OGC Gateway™ review of planning completed (or equivalent);
- Gateway™ recommendations implemented where appropriate and kept under review;
- decision taken by the department's Management Board that the plan is comprehensive and covers all business areas likely to be affected by euro;
- development of a robust next phase to follow on immediately from the planning phase;
- plans include responsibility for euro preparations in Agencies and NDPBs;
- resources required for a potential changeover and necessary reprioritisation identified and not dependent on additional central funding;
- plans are entirely consistent with the *third outline National Changeover Plan*. In particular, they should ensure compliance with the public sector consumer code of conduct, deliver the Managed Transition Plan and assist in the central communications effort;
- euro compatibility and the impact of the euro is incorporated into the department's approval and implementation cycle for all new projects, systems, system upgrades and policies; and
- a completed risk register is in place with the department's top ten risks, mitigating actions and senior owners.

4.3 Once the planning phase has been completed, it will be important that departments maintain and consolidate their preparedness. Departments would need to be ready to implement a timely and cost-effective changeover, while supporting the rest of the economy and helping set an example in the fair treatment of consumers.

Box 4.2**Criteria for the next phase in euro preparations:**

- comprehensive and regular reviews of the implementation of euro compatibility in new and upgraded systems and new policies and business processes across a department;
- regular updates and checks on planning in Agencies and NDPBs for which a department has policy responsibility;
- regular reviews and updates of plans in the light of changes in the machinery of government or new or upgraded systems or new policies or business processes, including reviews by Programme Boards and, where appropriate, Management Boards;
- engagement with local authorities, regional Government, RDAs and Government Offices, to ensure that the public sector presents a consistent approach during any changeover;
- engagement with external stakeholders to ensure that plans continue to meet their needs as their planning develops or their roles change;
- engagement across a department with appropriate parts of the wider economy to ensure the Government's messages about euro preparations are considered as part of routine business planning and risk management;
- regular reviews of planning to ensure a department can deliver services under the Managed Transition Plan, support the Integrated Communications Plan, and comply with its requirements under the public sector consumer code of conduct;
- engagement with the Euro Preparations Unit in the Treasury (EPU) to ensure a consistent approach across the public sector and that all relevant guidance is issued; and
- risks actively managed, the risk register kept up to date and mitigating actions implemented. In particular, the cross-cutting risks identified by HMT's working groups should have senior owners allocated within departments and mitigating actions should be implemented and monitored.

LOCAL GOVERNMENT PREPARATIONS

4.4 In REP7, it was stated that EPU would work with a diverse group of local authorities to produce draft changeover plans. This work is now well underway, and some high quality plans are being produced. EPU has met with the local authorities involved, and key practitioners from central government departments have provided individual guidance and support on writing changeover plans.

4 Public sector preparations

4.5 The authorities involved have also assisted EPU in identifying common issues, and in developing recommended actions to address them. For example, some local authorities requested support in drafting contracts to ensure systems were euro compatible. The Office of Government Commerce (OGC) worked with EPU to draft model contract terms, which have been included in the second edition of *Euro compatibility: a guide for managers*, published in January 2004 and available from the Government's euro website on www.euro.gov.uk. Local authorities worked with EPU in the development of this second edition, to ensure that the guidance would have relevance beyond central government departments.

4.6 After the initial phase, the local authorities involved have been working more collaboratively, sharing plans and ideas, to produce examples of best practice. Central government officials, along with EPU, have reviewed plans and given feedback to improve the plans further. Plans should be completed by summer 2004, and at this point the authorities will consider having them externally verified, for example, through OGC Gateway™. These local authorities can then move to the next phase of euro preparations, along with central government departments (see Box 4.2 above).

CENTRAL-LOCAL PARTNERSHIP

4.7 The Government recognises that work with this relatively small group of local authorities does not necessarily ensure that appropriate preparations are underway across all local authorities. The Local Government Association (LGA) and the Office of the Deputy Prime Minister (ODPM) recently set up a sub-group of the Central-Local Partnership Working Group (CLP) to look at euro preparations. The first meeting of the sub-group is planned for May 2004.

Box 4.3

Draft terms of reference for the euro preparations sub-group of the Central-Local Partnership Working Group

1. The group will promote, co-ordinate and monitor preparations in the local government sector in advance of any changeover to adopting the euro as the UK's currency, which would happen following a Government decision to join, endorsed by Parliament, and the people in a referendum. In particular the group will:

- co-ordinate each government department's role, in relation to the services for which it is responsible, to secure euro compliance for its services in the local government sector, primarily through steering the development of Part 2 of the Euro Preparations Guidance for Local Authorities, the first part of which was issued in June 2003;
- involve the devolved administrations in the work programmes to secure local government euro compliance, having regard to their responsibilities for this in their countries;

- consider reports on work with pilot local authorities on preparing draft changeover plans with the aim of producing model plans and promoting these to other local authorities; and
- provide a forum for exchanging information on euro issues generally between central and local government.

Membership

2. Core membership would come from Ministers and senior officials of government departments that participate in the Central Local Partnership (CLP), and a delegation from the Local Government Association (members and officers), COSLA and NILGA.

Working Practices

3. The group will be chaired by Phil Hope MP, Parliamentary Undersecretary of State for the Office of the Deputy Prime Minister, with Ruth Kelly MP, the Financial Secretary to the Treasury, attending. It will meet for the first time in spring 2004 with further meetings as required. If necessary an official-level sub-group may meet and work may also be carried forward via an electronic network as appropriate.

4. The group will normally attempt to reach a joint view on matters of common interest. Parties are free to express their own views on matters of concern to them, and, where this leads to differences of opinion, these will be clearly stated in any proposals coming forward from the group.

5. The group will set its own agenda within the broad remit of euro preparations with local authorities. It will report to the main CLP meeting and the committee of Euro Ministers.

4.8 One of the main functions of the sub-group will be to disseminate verified plans to other local authorities. The original local authorities could then take on a 'pathfinder' status and could advise other authorities on euro preparations. This would help to ensure that the majority of local authorities prepare adequately for any changeover to the euro. The CLP will also play an active part in promoting *Euro compatibility: a guide for managers*, and will issue an addition to the local authority guidance on euro preparations, published in June 2003. These measures should help local authorities to factor in euro compatibility when upgrading or replacing any systems, and provide them with sufficient information to write detailed changeover plans. The sub-group will promote consideration of euro preparations as a part of routine business planning and risk management.

5 Voluntary sector preparations



Voluntary sector preparations are progressing well. In February 2004, the National Council for Voluntary Organisations (NCVO) published a report, “Ready for Change?”, looking at the potential impact of a euro changeover on the voluntary sector. The report makes recommendations for further research; the Government is considering how best to take this forward.

VOLUNTARY SECTOR PREPARATIONS

5.1 Following the Chancellor’s statement to the House of Commons on 9 June 2003 on UK membership of EMU, the Chancellor’s Standing Committee on Euro Preparations has been expanded to include the voluntary sector. This has increased engagement between the Government and the voluntary sector on euro preparations work. Work is in progress on two fronts:

- appropriate preparations by voluntary sector organisations, taking into account the diversity of the sector; and
- the role of the voluntary sector in helping to inform vulnerable groups in the event of a changeover.

5.2 On 18 February 2004, NCVO published the results of its research into the effect of adopting the euro on the sector, in a report called “Ready for Change?”. The report makes recommendations for Government, umbrella groups in the sector and individual voluntary sector organisations. The report calls on Government to carry out further research on the impact of the changeover on the voluntary sector in the euro area. The Government is considering how best to take this work forward. Copies of “Ready for Change?” are available from NCVO, by telephoning 0800 2798 798, or emailing helpdesk@ncvo-vol.org.uk.

Box 5.1

NCVO report, “Ready for Change? The voluntary sector and the euro”, February 2004

NCVO has carried 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.

NCVO’s report, “Ready for change? The voluntary sector and the euro” is aimed at helping voluntary and community organisations think about how they would be affected if the UK adopted the euro, and makes specific recommendations about the role that both Government and voluntary organisations could play to help the sector in the event of the UK adopting the single currency.

5 Voluntary sector preparations

NCVO's research suggested that voluntary organisations would be affected by the adoption of the euro in a broad range of ways, concerning both their internal functioning and the services they provide. The potential effects of a changeover in the UK can be divided into the following categories:

- the impact on an organisation's beneficiaries or client group, who may be individuals or other organisations;
- the impact of re-pricing goods and services sold by an organisation;
- the practicalities associated with the new notes and coins, including storage, recognition and training;
- the impact on an organisation's income, including the effect on individual donations and income from European investments and funders;
- the conversion of financial systems, software and spreadsheets to the new currency; and
- relationships with organisations in the euro area.

NCVO has made a number of recommendations, covering a wide range of issues that are specific to the voluntary sector. These include funding, planning, information provision and training, communication between the sector and Government, and fundraising.

NCVO's report makes the following recommendations concerning the role of Government in supporting the sector in ensuring a smooth transition to the euro in the event of a changeover:

- Government should fund some research into the impact of the euro on voluntary and community organisations in existing euro area countries;
- Government must ensure that information about the euro and the referendum are fully accessible to everyone. Information will need to be provided in different languages, different formats and through different media. The Government also needs to recognise that voluntary and community organisations will often be the best means by which minority and vulnerable groups can be accessed. Government should fund organisations from key parts of the sector to deliver and cascade training where needed;
- NCVO believes that donations could suffer as a result of a change from sterling to euro (as EUR1 would be equivalent to less than GBPI). NCVO has already called for a Fund for Giving to follow the Giving Campaign. This fund could be boosted by Government in order to support work to specifically promote giving in euro;
- in order to continue to encourage a culture of giving, and to avoid a possible downturn in giving as a result of the euro, the Government could supplement Gift Aid for donations over a certain amount for a limited period. This could be achieved through an additional tax relief as was previously offered to promote payroll giving; and

- while organisations have a responsibility to opt for “euro-compatible” versions whenever they replace or upgrade equipment and software, government could provide a conversion fund to help cover any unavoidable costs of systems conversion and training, particularly for small organisations.

NCVO’s report also includes recommendations aimed at local government, at voluntary sector infrastructure bodies and at voluntary and community organisations. Copies of the full report can be obtained by contacting NCVO’s helpdesk at: **helpdesk@ncvo-vol.org.uk**, tel. **08002 798 798**

6

Private sector preparations



Officials from the Euro Preparations Unit in the Treasury (EPU) continue to consult with UK business on issues arising from a possible future UK changeover. In partnership with Chambers of Commerce, Regional Development Agencies and the relevant administrations in Scotland, Wales and Northern Ireland, officials have attended a variety of meetings around the UK, explaining to businesses of all sizes how a phased approach would work for the UK economy.

Contacts with the small business sector have been extended. EPU officials have attended HM Customs and Excise business advice open days across the UK, engaging with small- and medium-sized enterprises (SMEs). EPU has also met with companies that supply business support to SMEs, for example, payroll and IT providers.

The results of this consultation will be taken into account in the development of the Managed Transition Plan (MTP), published at Annex B of the *third outline National Changeover Plan* (oNCP3). With the help of stakeholders across the public, private and voluntary sectors EPU is continuing to test the MTP to ensure it is robust and would meet the needs of the UK economy as a whole if the UK were to decide to join EMU.

FINANCIAL SERVICES

6.1 Some large organisations in the financial services sector are well advanced in their euro preparations, with detailed plans in place. EPU is working with the sector to ensure that, where plans are in place, they remain comprehensive and up-to-date, and institutional memory is retained. EPU is working with stakeholders across the sector to ensure that euro compatibility is built into decision-making where it represents value for money.

6.2 Key stakeholders, including the Association of British Insurers (ABI), the Association for Payment Clearing Services (APACS), the British Bankers' Association (BBA), the Financial Services Authority (FSA) and individual banks and insurers continue to contribute to preparations in the sector. They have also been actively involved in extending the reach of our preparations work across the UK economy.

RETAIL BANKS AND BUILDING SOCIETIES

6.3 Preparations in some retail banks and building societies are well advanced. For those organisations with detailed plans in place, the focus of euro preparations is now to ensure institutional memory is retained and planning remains robust and up-to-date. A high level checklist for organisations is published below at Box 6.1. EPU continues to monitor the state of preparedness across the sector, providing guidance and support to the planning process.

6 Private sector preparations

6.4 EPU works closely and productively with the BBA, APACS, BSA, retail banks and building societies, through regular bilateral meetings and working group meetings. The sector continues to play a key role in taking the MTP to the next level of detail. Following further consultation with stakeholders, an updated version of the MTP will be made available by autumn 2004.

Box 6.1

Checklist for organisations well advanced in their euro preparations

Those organisations who are well advanced in their euro preparations should aim to have the following in place:

- confirmation at Board level that the organisation would be able to meet the outline national changeover timetable published in oNCP3, including consideration of T, RT and E;
- detailed mobilisation plans across the organisation's business areas, including staff resource requirements in the period D–R;
- detailed conversion plans across the organisation's business areas, including strategy for issues and risks mitigation and programme resourcing, ensuring no gaps or inconsistencies;
- euro compatibility built into risk management across all business areas;
- detailed customer and service propositions;
- regular reviews of all plans, ideally to board level; and
- key interdependencies identified and built into planning.

INSURERS

6.5 Planning across the insurance industry continues to progress well. Some insurers have detailed plans in place and the focus of their euro preparations is now to ensure institutional memory is retained and their planning remains robust, complete and up-to-date. EPU is monitoring the state of preparedness across the sector, providing guidance and support to the planning process.

6.6 In addition to long-standing and productive contacts with the ABI and other individual organisations, EPU is extending its reach across the sector, in particular, focusing on insurance intermediaries, broker groups and medium- and smaller-sized insurers.

RETAIL SECTOR

6.7 EPU is supporting planning across the retail sector, working through the British Retail Consortium (BRC) and the Association of Convenience Stores (ACS). Contacts have been extended to include the sector's smaller trade associations, as well as individual retailers. The sector continues to provide key support in taking forward planning for a cash changeover, and in helping to build lessons from the impact of major initiatives such as "Chip and PIN" into other planning work.

6.8 Retail planning continues to progress. Two key dates in the outline timetable are of particular significance for retailers: T, when the exchange rate would be known and retailers could start detailed planning work on the impact of the rate on their “psychological price points”; and the period around E day, where the sector would be in the front line during a cash changeover, and where there could be particular challenges for food retailers and garden centres, depending on the relationship between E day and the date of Easter in the relevant year.

Box 6.2

Key issues for the retail sector

In developing their plans, key issues for retailers to consider include:

- the outline timetable published in oNCP3, in particular, when they would need to commence the conversion of their internal systems;
- pricing issues, including the impact of the changeover on “psychological price points” and the timing and method of dual pricing – the Government proposes a dual pricing period of at least 4 months before, and 2 months after E day; and
- cash issues, including likely requirements for change around E day, the logistical implications of supply and storage of cash, and the return of sterling cash from retailers via cash in transit firms and retail banks.

UTILITIES

6.9 The utilities sector, through the Utilities Forum and its members, are playing an active role in euro preparations, in particular in the development of the MTP. Since the last report on euro preparations, representatives of the sector have also engaged with local authorities and others to discuss the impact on their billing cycles of the Government’s preferred date for E day of 6 April in the relevant year.

6.10 In taking planning work forward, there are some issues that would impact the sector as a whole in a possible future UK changeover. These include billing and the needs of vulnerable groups. There are other issues that only some utility companies would face and would arise in only some areas of the UK. These include transferring accounts, payment cycles, the conversion of prepayment meters and some water issues.

SMALL- AND MEDIUM-SIZED ENTERPRISES

6.11 Contacts with the small and medium-sized business (SME) sector continue to be extended. Since the publication of the *Seventh report on euro preparations* (REP7) in November 2003, EPU officials have:

- met many individual businesses at HM Customs and Excise business advice open days and at a variety of meetings across the UK;

6 Private sector preparations

- met with companies that provide business support to the sector; and
- stepped up contact with trade associations, including the Forum of Private Business (FPB), Chambers of Commerce, and the ACS.

6.12 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 MTP means for them and, where necessary, 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 and taken action. Businesses that have not yet considered the issues are encouraged to do so.

Box 6.3

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 them. 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

Issues to consider include:

- conversion of electronic payments from sterling to euro – business should consider when payments would be converted, and how this would impact on third parties such as banks and suppliers; and
- when 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 customer confidence during a changeover; and
- increased ability for customers to compare prices with other euro area suppliers (price transparency).

Staff training

Organisations need to consider how they would train staff for 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.

Suppliers

The purpose of the Managed Transition Plan is to help ensure that conditions throughout a changeover remain as close to “business as usual” as possible. SMEs should be able to convert their systems and their business at a time that is most convenient for them between RT and E. In order to support this “business as usual” principle, organisations should start to discuss the expectations of their suppliers and their customers now. Questions organisations could consider include:

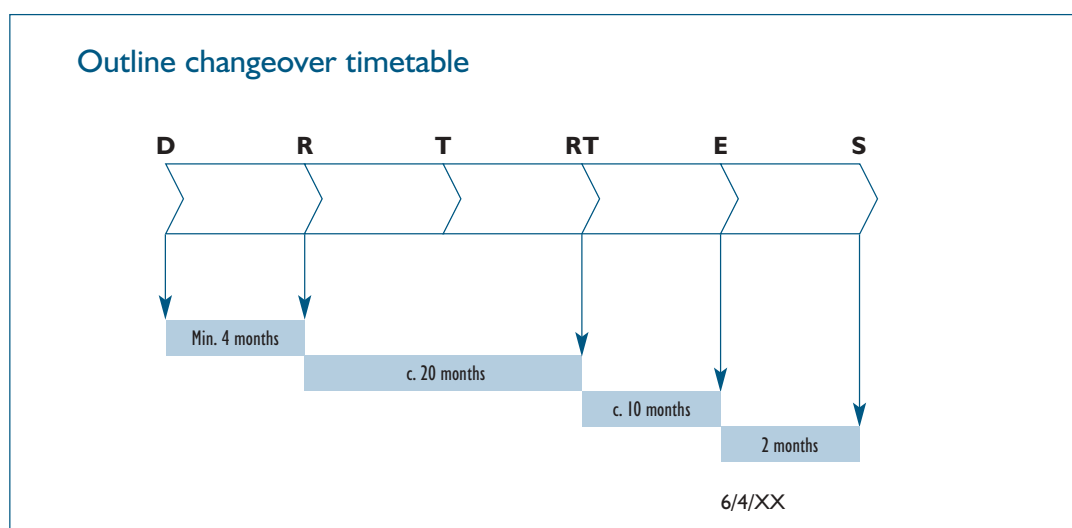
- when would they expect to receive/accept invoices in euro? and
- when would they need to send data to others in euro?

MANAGED TRANSITION PLAN

6.13 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).

6.14 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.



6.15 The Managed Transition Plan (MTP) published at Annex B of 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 (BBA) jointly chair this group.

6.16 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. The MTAG has begun to test the plan, ensuring that it would meet the needs of everyone: business, the public and voluntary sectors, consumers and vulnerable groups. A revised and updated version of the MTP will be made available by autumn 2004.

PLANNING FOR A CASH CHANGEOVER

6.17 The Notes and Coins Working Group (NCWG) and its members are taking forward planning for a possible cash changeover. Working alongside members of the group, EPU is developing the remit for a possible cash changeover plan announced in oNCP3. The remit will identify:

- issues that would be determined by the Cash Changeover Working Group;
- issues that would fall outside the scope of the Cash Changeover Working Group;
- when key decisions would need to be agreed;
- key issues and risks, and mitigation strategies;
- key planning assumptions around change requirements, timing of frontloading, and sub-frontloading of euro cash and withdrawal of sterling cash, including de-hoarding campaigns; and
- interdependencies with other areas of planning: the MTP, the Integrated Communication Plan (ICP), and the needs of consumers and vulnerable groups.

EURO COMPATIBILITY

6.18 In January 2004, the Government published the second edition of *Euro compatibility: a guide for managers*. Copies are available on the Government's euro website, www.euro.gov.uk, and from:

Correspondence and Enquiry Unit
 HM Treasury
 1 Horse Guards Road
 London
 SW1A 2HQ

020 7270 4558

6.19 Public and private sector organisations would benefit from considering issues of euro compatibility when upgrading systems or business processes. In many cases, euro compatibility can be built in at no, or marginal cost. Planning now could save resources in the future.

SUPPORT FOR UK BUSINESS IN WORKING WITH THE EURO AS A FOREIGN CURRENCY

6.20 It is over two years since the introduction of euro cash in the euro area. Although significant numbers of UK businesses with trading links have responded by putting in place an appropriate strategy, others have still to consider the implications of the euro for their business. The Government also continues to work with businesses and business representative organisations to ensure that the impact of the euro on UK business competitiveness is recognised and addressed. The Government makes free information available to business from the euro helpline (08456 01 01 99) and online from the Treasury's euro website (www.euro.gov.uk).

7

Wholesale financial markets



The Bank of England (the Bank) continues to co-ordinate euro preparations in sterling wholesale financial markets through the City Euro Group (CEG), a representative body of City market associations and financial institutions, which meets at regular intervals. Over the past few months, the focus has been on the technical issues that financial market-related legislation in the UK would need to cover.

7.1 If the UK were to join EMU, there is a consensus about the way in which sterling wholesale financial markets would change over to the euro. This is set out in the *City guide to a UK euro changeover* (the City Guide), which the Bank keeps up to date on its website at www.bankofengland.co.uk/euro/cityguide/overview.htm.

7.2 For each of the various sterling wholesale financial markets (for example, money, bond, equity and derivatives markets), the City Guide distinguishes between:

- financial instruments issued before, and outstanding at, UK entry;
- new financial instruments issued after entry;
- financial transactions undertaken before entry but settled afterwards; and
- financial transactions undertaken after entry.

7.3 Sterling wholesale financial markets would operate in euro immediately from the UK entry date (T), whereas retail financial services would remain largely in sterling until later in a transition period after entry (RT). The City Guide explains how the relationship between wholesale and retail markets would be expected to work during this period.

7.4 The CEG has now moved on to consider technical issues that would need to be covered by UK legislation, arising from a changeover to the euro in sterling wholesale financial markets. This work assumes that, if the UK were to join EMU, euro regulations would be introduced at European Union level similar to those that were introduced when the existing members joined the euro area.

7.5 In the case of the existing members of the euro area, the euro 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 euro.

7.6 If the UK were to join EMU, financial market-related legislation would be needed in the UK to facilitate the redenomination of sterling bonds and company share capital. The CEG published a consultation document in the *Seventh report on euro preparations* (REP7), published in November 2003. This represents a broad consensus among market participants.

7.7 Under the proposals for the redenomination of bonds, the redenomination of gilts (including Treasury bills) from sterling to euro would take place on entry, using the conversion rate and rounding to the nearest euro cent. Other sterling-denominated debt securities could be redenominated at any point during a transition period after entry, by decision of the issuer, subject to the terms of the offering circular. 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.

7.8 Under the proposals for the redenomination of company share capital, a simplified procedure would be available to both public and private companies. This would enable directors of a UK company to resolve that their company's sterling share capital should be redenominated to euro during a transition period after entry. Companies would 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. The consultation paper gives a worked example, and considers a number of other points.

7.9 In consultation with the Inland Revenue, the CEG has also started to consider the tax implications of a euro changeover in sterling wholesale financial markets. Box 7.1 sets out the draft principles underlying the Inland Revenue's proposed approach.

Box 7.1

Tax aspects of conversion in wholesale financial markets

The Government's approach to the tax aspects of conversion from sterling to euro, in the event of UK adoption of the single currency, is based on the following draft principles:

- conversion from sterling to euro should, as far as possible, be fiscally neutral and pragmatic;
- mere conversion from sterling to euro should not generally be treated as a transaction, nor as a break in continuity of contract, nor as a trigger for a change in tax treatment;
- unintended tax consequences of euro conversion should be identified and neutralised as far as possible;
- historic amounts brought forward in sterling should be converted to euro at the official conversion rate on UK entry, and not at a historic rate.

This approach was reflected in the regulations introduced to deal with the UK tax effects of the introduction of the euro in the existing euro area. Those regulations are a starting point for considering the tax implications of a UK euro changeover. Further issues are likely to arise from the fact that the euro would change from being a foreign currency to being the base currency for calculating UK tax.

The Inland Revenue is working to identify the detailed consequences of this approach. By June 2004 it expects to be able to discuss its findings informally with interested parties, including representatives of the wholesale financial markets.

8

Reports from 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 preparations committees to oversee the work on euro preparations and feed back 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.

SCOTLAND

8.1 The Scottish Euro Preparations Committee met on 26 April 2004 to review progress in euro preparations in Scotland. The next meeting of the committee is planned for autumn 2004. The *third outline National Changeover Plan* (oNCP3) continues to be kept under review by Scottish Executive departmental euro co-ordinators.

8.2 Scottish Executive Agencies and NDPBs also continue to review their preparations, plans and activities. The second edition of *Euro compatibility: A guide for managers* has been distributed across the procurement and IT network within the Scottish Executive. Officials from the Euro Preparations Unit in the Treasury (EPU) have also assisted the Scottish Executive in communicating and publicising euro preparations to other parts of the public, private and voluntary sectors in Scotland. The Scottish Executive will continue to work with EPU in order to meet the targets for ongoing preparations activities.

8.3 Scottish local authorities have been involved in planning and preparations activities in conjunction with HM Treasury: a number have prepared pilot changeover plans.

Box 8.1

Seminar on preparations in Scotland

A seminar was held in Edinburgh on 27 January 2004 to brief representatives from the financial services sector in Scotland on the euro preparations work being undertaken by government and the industry.

The event was organised by Scottish Financial Enterprise (SFE), the independent body that supports and represents Scotland's financial services industry, and supported by EPU.

Delegates from a wide range of financial services companies and businesses that service the sector heard about the work being done by Government across the UK to prepare for possible euro entry, and the issues and actions that financial services companies should consider.

The Chief Executive of Scottish Financial Enterprise (a member of the Scottish Euro Preparations Committee) said: "Many financial services companies have been working since 1999 on euro preparation in the spirit of the government's 'prepare and decide' approach. Regardless of whether or not the UK decides to join the euro, it is clear that no company can afford to ignore the issue and the significant implications euro entry would have for business."

WALES

8.4 The Wales Euro Preparations Committee met on 8 March 2004 to review progress in euro preparations in Wales. The next meeting of the committee is planned for summer 2004.

8.5 The Welsh Assembly Government has been working with EPU to produce a consolidated changeover plan covering all areas of Assembly business. Most business areas utilise the corporate finance systems, and the finance division is testing the system software to ensure this could deliver a smooth transition to euro functionality in a changeover. The consolidated plan is underpinned by detailed planning documentation at Group and Divisional level. Euro co-ordinators at Group level have been appointed and Senior Responsible Owners identified for each area of business and changeover planning.

8.6 A Gateway™ Review is planned for Autumn 2004 once the preparations phase and the consolidated plan have been completed; the plan will be reviewed twice yearly to ensure that the appropriate level of readiness is maintained.

8.7 Welsh Assembly Government and EPU met with Assembly Sponsored Public Bodies in March 2004 to encourage appropriate preparations and to promote *Euro compatibility: a guide for managers* for consideration in procurement decision-making.

8.8 Welsh local authorities have been involved in planning and preparations activities in conjunction with HM Treasury to prepare pilot changeover plans.

Box 8.2

Use of euro at Cadw sites

Cadw is the historic environment agency within the Welsh Assembly Government with responsibility for protecting, conserving, and promoting an appreciation of the historic environment of Wales. Created in 1984, Cadw carries out the complete range of responsibilities for the conservation, presentation, and promotion of the built heritage of Wales on behalf of the National Assembly for Wales.

On 9 July 2003, the Minister for Culture, Mr Alun Pugh announced that Cadw would accept euro notes at four of the sites that it manages as visitor attractions. These were, in north Wales, Caernarfon and Conwy castles, and in south Wales, Caerphilly Castle and Tintern Abbey. The four sites selected have high visitor numbers and past research has shown that they attract a high proportion of visitors from overseas. In the year ended 31 March 2003 these four sites received 482,234 visitors, which is 44% of Cadw's total visitors for the estate as a whole for that year.

To the end of September 2003, a total of €5,950 (c£4,000) had been received. This represents some 0.4% of the total income earned at these sites in this period. Most of the expenditure in euro was made at Caernarfon and Conwy castles.

From 1 April 2004, Cadw extended acceptance of the euro across the remaining directly managed sites in its estate. The exchange rate used is that posted on the Bank of England website and this is checked and adjusted as necessary on a weekly basis. A handling charge of 2.5% is added to the transaction after conversion. In line with Government guidelines, customers are informed of the value of their transaction in both sterling and euro before they decide which currency to use.

Cadw manages its commercial activities at these sites through an EPoS (Electronic Point of Sale) system, which allows a centrally based computer to extract performance data from each site every night after close of business. The system also allows the exchange rate to be downloaded to sites so that it can be changed on all tills simultaneously. For the operator, it is a matter of pushing the right buttons when the information appears on the touch-screen. Although Cadw only checks the rate on a weekly basis the data could be updated on a daily, or even hourly, basis if necessary.

NORTHERN IRELAND

8.9 The Northern Ireland Preparations Committee met on 25 March 2004 to review progress in euro preparations in Northern Ireland. The next meeting is planned for autumn 2004.

8.10 Northern Ireland departments have revised their preparations in light of the revised assumptions in oNCP3 and have consolidated these in a draft Northern Ireland euro changeover plan which has been circulated for consultation and comment. The plan will be verified by a Gateway™ review in autumn 2004.

8.11 Appropriate preparations are being encouraged by EPU and NI Departments in the wider public sector in Northern Ireland, including in non-departmental public bodies.

8.12 All 26 Northern Ireland district councils have been involved in planning and preparations activities in conjunction with EPU and to produce pilot changeover plans.

Box 8.3

Northern Ireland – cross-border trade in euro

Northern Ireland is the only part of the United Kingdom that has a land border with the euro area. Euro-denominated services are provided to meet local demand, both in the regions close to the border itself and more widely across Northern Ireland. For example, the town of Newry, with a population of over 20,000, is located close to the land border with Ireland and provides administrative, commercial and recreational services for surrounding areas.

Examples of the euro services available in Newry include:

- euro cash is widely accepted throughout the retail sector in Newry – around 30% of trade in Newry is conducted in euro and one Newry city centre bank ATM machine has over 5,000 euro transactions per week;
- euro coins are accepted in Newry car parks and public telephones; and
- Newry City Council accept euro notes in payment for local services.

Forward work programme

- Working with the Consumers' Working Group, EPU will develop a consumer protection framework by autumn 2004.
- Work is in progress on codes for the insurance sector, banks, the vending machine industry and utilities. Further codes will be considered for the following sectors:
 - hospitality;
 - the legal profession;
 - estate agents;
 - direct mailing organisations; and
 - wholesalers.
- EPU is working with stakeholders across the economy to develop a first draft of an Integrated Communication Plan (ICP) by autumn 2004.
- EPU will work with central government departments to support them in completing the planning phase of euro preparations, according to the criteria agreed by the committee of Euro Ministers.
- EPU will work with pathfinder local authorities to produce completed changeover plans by summer 2004.
- Following further consultation with stakeholders, an updated version of the Managed Transition Plan will be made available by autumn 2004.
- Working with the Notes and Coins Working Group, EPU is developing the remit for a possible cash changeover plan, announced in oNCP3.
- The City Euro Group is considering technical issues that would need to be covered by UK legislation, arising from a changeover to the euro in sterling wholesale financial markets. In consultation with the Inland Revenue, the City Euro Group has also started to consider the tax implications of a euro changeover in sterling wholesale financial markets.
- In addition, work will continue through the existing committees, working groups and bilateral meetings.

A Euro preparations committees

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 Alastair 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

David Harker, Chief Executive, Citizens Advice

Terry Hodgkinson, Chair, Yorkshire Forward

Mervyn King, Governor, Bank of England

Digby Jones, Director General of the 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 Euro preparations committees

Federation of Small Businesses (Scotland)
The Scottish Chambers of Commerce
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

WALES EURO PREPARATIONS COMMITTEE

Secretary of State for Wales (Chair)
Wales Office (Secretariat)
Welsh Assembly Government
HM Treasury (Financial Secretary)
Bro Morgannwg NHS Trust
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
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 for 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 Trades Unions

Northern Ireland Council for Voluntary Action

Northern Ireland Local Government Association

Northern Ireland Tourism Industry Confederation

B Public sector consumer code of conduct

AIM

To ensure that consumers¹ can be confident that they would be treated fairly during a changeover. Consumers would be provided with adequate, targeted and easily understood information to help them through a changeover, and a contact point if they felt that standards of service were not being provided in accordance with this code. The public sector would be expected to show a strong lead in best practice during a changeover.

The details below cover the minimum standards that would be met by all public sector service providers. Implementation would naturally depend to some extent on the nature of the service provided and the relationship with the consumer. Some public sector service providers might wish to provide additional or earlier euro facilities.

This code outlines how a public sector service provider would act in the different phases of a changeover.

WHAT HAPPENS AND WHEN?

Up to T (before joining EMU)

There would be no immediate change to transactions between the service provider and the consumer. Payment for services would continue to be in sterling; euro cash would not be legal tender in the UK. This applies to cash payments and non-cash payments. Amounts would continue to be displayed in sterling.

Service providers might choose to accept payment in euro, but would be under no obligation to do so. Service providers who accepted euro payments might apply their own exchange rate and a handling charge, but the terms would be made clear at the point of transaction.

T to E (from the start of the transition to the introduction of euro notes and coins)

From at least four months before E day, euro information should be shown alongside sterling. Amounts should be converted at the official six-figure conversion rate, which should be clearly displayed. The converted euro value would then be rounded to the nearest euro cent to give the legally equivalent euro value, in accordance with the EU conversion and rounding Regulations.

Service providers would continue to be under no obligation to accept euro cash. If they did, they could continue to apply a handling charge, but the terms must be made clear at the point of transaction.

¹ Consumers' in this context refers to individuals and organisations in receipt of public sector services.

B Public sector consumer code of conduct

Electronic euro payment services would be introduced gradually during the transition period. Payments made in euro at, for example, a point of sale (PoS) terminal, would be automatically converted by the banks to sterling for customers with sterling accounts. There would be no additional charge and the same clearing period.

As soon as a service provider offered any form of euro service, notices should be displayed at customer interfaces, including websites for internet transactions, to indicate which forms of payment (if any) would be accepted in euro, and from what date. The official six-figure exchange rate and any handling charge applied should also be made clear. If change were given for a euro transaction, it could be either in euro or sterling to the legally equivalent value.

From at least four months before E day, where it is customary to issue a receipt for a payment, this should show both the sterling and euro equivalent amounts if the issuing equipment was capable of doing so. If that was not technically feasible, the amount shown should continue to be in sterling until E day and in euro thereafter. In the latter case, alternative means (such as a conversion table) should be available to allow customers to convert the total amount.

The euro € sign or currency indicator EUR should precede the euro price (e.g. €7.25 or EUR 7.25) and be clearly distinguishable from a price displayed in £ sterling.

E day (the introduction of euro notes and coins in the UK)

From E day, prices should be displayed in euro. Wherever prices are displayed now, including in information and promotional materials, sterling price information should continue to be displayed until at least the end of the dual circulation period when sterling notes and coin would cease to be legal tender (two months after E day). Service providers might continue to dual display in sterling after this point if they wish to offer this service to customers, but it is recommended that this should not continue longer than 18 months after the introduction of euro cash.

For payment in cash, customer service interfaces should accept either sterling or euro until the end of the dual circulation period. For payments accepted in sterling, the fixed conversion rate must be applied. No handling charges would be applied for euro or sterling payments.

Coin vended services, such as parking meters, would not need to accept both sterling and euro. However, all machines should be clearly marked to indicate to users whether they accepted euro only, or sterling and euro. For a very short time after E day, operators might still have some machines accepting sterling only, but they should be converted to euro as soon as possible and within the two month dual circulation period.

Coin vended services might require a euro conversion to be smoothed to an operationally practical value. Any smoothing of converted euro amounts in the public sector should not disadvantage the citizen. Smoothing should be avoided where at all possible (so, for example, if GBP1 bought 60 minutes of parking time, EUR1 might buy a different number of minutes, so that the price per hour would be the same in both currencies). Change tendered in cash transactions for services should be in euro only.

From E day, all non-cash transactions should be in euro only, except that cheques drawn in sterling that pre-date E day would continue to be valid for up to six months from the date of issue.

Throughout a changeover

The needs of vulnerable groups, such as older people, the visually and hearing impaired and those with learning difficulties, should be taken into account. Service providers should consult with representatives of vulnerable groups to develop a suitable method of addressing these needs.

All staff dealing directly with the public should be fully trained and able to give straightforward and relevant information about services during a changeover.

The “consumer confidence” logo would be displayed at all points of transaction and provide a customer service contact number for euro enquiries.



Other useful publications

HM Treasury

Euro compatibility: a guide for managers, second edition

www.euro.gov.uk

January 2004

Seventh report on euro preparations

November 2003

Third outline National Changeover Plan

June 2003

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

Practical issues arising from the euro

May 1996 – Nov 2002

Association for Payment Clearing Services British Bankers' Association/

www.apacs.org.uk
www.bba.org.uk

The UK banking industry outline euro blueprint

June 2002

The British Chambers of Commerce

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

Implementing the euro in retail: how eurozone retailers managed the changeover

April 2002

European Central Bank

www.ecb.int

Evaluation of the 2002 cash changeover

April 2002

European Commission

www.europa.eu.int

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

December 2002

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

March 2002

D Organisations involved in changeover planning

All Government departments are represented on Working Groups and are involved in changeover planning.

Accounting Standards Board

Age Concern England

Association of British Travel Agents (ABTA)

Association of Convenience Stores (ACS)

Association of Corporate Treasurers (ACT)

Association of Private Client and Investment Management Stockbrokers (APCIMS)

Association of British Insurers (ABI)

Association of Investment Trust Companies (AITC)

Association for Payment Clearing Services (APACS)

Association of Train Operating Companies (ATOC)

Audit Commission

Automatic Vending Association of Britain (AVA)

Bank of England

British Bankers' Association (BBA)

British Chambers of Commerce (BCC)

British Retail Consortium (BRC)

Building Societies Association (BSA)

Business Application Software Developers Association (BASDA)

Charity Commission for England and Wales

Citizens Advice

Chartered Institute of Public Finance and Accountancy (CIPFA)

Commission for Racial Equality (CRE)

Confederation of British Industry (CBI)

Consumers' Association (CA)

Convention of Scottish Local Authorities

Council of Mortgage Lenders

D Organisations involved in changeover planning

CRESTCo Limited

Engineering Employers' Federation (EEF)

Federation of Small Businesses (FSB)

Finance and Leasing Association (FLA)

Financial Services Authority (FSA)

Foreign Banks & Securities House Funds Association (FBSHA)

Forum of Private Business (FPB)

FTSE International

Futures & Options Association

Gilt Edged Market Makers Association (GEMMA)

Help the Aged

Improvement and Development Agency (IdeA)

Institute of Chartered Accountants in England and Wales (ICAEW)

Institute of Directors (IoD)

Intellect

International Paying Agents Association (IPAA)

International Petroleum Exchange (IPE)

International Primary Market Association Services (IPMA)

International Securities Lending Association (ISLA)

International Securities Market Association (ISMA)

International Swaps and Derivatives Association (ISDA)

International Underwriting Association (IUA)

Investment Management Association (IMA)

Law Society

Legal Services Commission

LIFFE

Lloyd's of London

Lloyd's Insurance Brokers' Committee

Local Authorities Coordinators of Regulatory Services (LACORS)

Local Government Association (LGA)

London Bullion Market Association

London Clearing House

London Investment Banking Association (LIBA)

London Metal Exchange (LME)

London Money Market Association (LMMA)

London Stock Exchange (LSE)

Mencap

National Association of Pension Funds (NAPF)

National Consumer Council (NCC)

National Council for Voluntary Organisations (NCVO)

National Federation of Retail Newsagents

Regional Development Agencies (RDAs)

Royal Mail

Royal Mint

Royal National Institute for Deaf People (RNID)

Royal National Institute for the Blind (RNIB)

Securitas UK Ltd

Trades Union Congress (TUC)

Utilities Forum

Wholesale Market Brokers' Association (WMBA)

E 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.

	Definition
Accession countries	Countries that will join the European Union on 1 May 2004 (Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Republic and Slovenia)
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 of conduct	A voluntary code of practice designed to promote best practice during a changeover. There would be different codes for each main sector. Consumer codes of conduct 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.
De-hoarding	The process of collecting and returning to circulation, notes and, in particular, coins that have been saved or accumulated by citizens.
DMO	Debt Management Office.
Dual currency	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.

E List of technical terms and abbreviations

EC	European Commission.
ECB	European Central Bank.
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 (Austria, Belgium, Finland, France, Germany, Greece, Italy, Luxembourg, the Netherlands, Portugal, Ireland and Spain).
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.
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.
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.
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.

E List of technical terms and abbreviations

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.
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 using the ratio EUR1 : 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">• figures ending in 5 and above must be rounded up; and• figures ending in 4 and below must be rounded down. <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 whole numbers: a figure in legacy currency which converted to EUR 5.02 could be smoothed to EUR 5.

Standing Committee	The Chancellor's Standing Committee on Euro Preparations.
Starter kits	A sample set of euro coins available to 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).
VCCWG	Vulnerable Communities and Citizens 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 represents 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 Office.
WEPC	Wales Euro Preparations Committee.

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