

Standing Committee on Preparations for Euro held in HM Treasury (X)

Attendance

Rt Hon Gordon Brown MP, Chancellor of the Exchequer (chair)
Rt Hon Peter Hain MP Secretary of State for Wales
Rt Hon Jacqui Smith MP, Minister of State DTI
Barry Gardiner MP, Parliamentary Under Secretary Northern Ireland Office
Barry Sheerman MP, Chairman of the Cross Party Group on Euro Preparations
Sir Andrew Turnbull, Cabinet Secretary and Head of the Home Civil Service
Brendan Barber, Trades Union Congress
Stuart Etherington, National Council for Voluntary Organisations
Kevin Hawkins, British Retail Consortium
Terry Hodgkinson, Yorkshire Forward
Rachel Lomax, Bank of England
Ian McCafferty, Confederation of British Industry
Callum McCarthy, Financial Services Authority
Bill Midgley, British Chambers of Commerce
Ian Mullen, British Bankers' Association

Sue Owen, HM Treasury
Hilary Thompson, HM Treasury

Apologies:

Rt Hon Alistair Darling MP, Secretary of State for Scotland
Rt Hon Ruth Kelly MP, Financial Secretary
Sir Jeremy Beecham, Local Government Association
David Harker, Citizens Advice

Welcome and Introduction

The Chancellor, Gordon Brown, welcomed everyone to the meeting and summarised Government policy on UK membership of EMU – 'prepare and decide'.

The Chancellor then explained that Budget 2004 had reported on progress on the Government's reform agenda since the assessment in June 2003, including reforms to improve the functioning of the housing market through the follow up of the recommendations of the Barker review on housing supply and the Miles review on the mortgage market.

The Treasury would again review progress at Budget 2005

The Chancellor introduced Hilary Thompson, Head of the Euro Preparations Unit in the Treasury, to update the Committee on euro preparations work.

Hilary Thompson said that practical preparations had been stepped up since 9 June 2003.

In central government departments, planning was well advanced. All departments had plans in place, and, as agreed at a meeting of the Committee of Euro Ministers on 1 July, departments were due to complete the planning phase of preparations this autumn. Details of the criteria for meeting the planning phase and moving to the next phase had been published in the spring report on euro preparations. Plans were being tested by Office of Government Commerce Gateway Reviews, or equivalent.

Hilary Thompson reminded the Committee that on 9 June 2003, the Chancellor had invited the Secretaries of State for Scotland, Wales and Northern Ireland to establish preparations committees to oversee the work on euro preparations. These Committees had met regularly, and further meetings were planned for Autumn 2004.

Hilary Thompson said that euro preparations guidance for local authorities had been published in June 2003. Since then, the Euro Preparations Unit in the Treasury had been working with a group of 28 'pathfinder' local authorities to produce changeover plans which could be used as examples of best practice in local authority planning.

Hilary Thompson then updated the Committee on preparations in the private sector. She noted that key organisations in the financial services sector were well advanced in their preparations, with detailed plans in place, and thanked the British Bankers' Association, the Bank of England and the Financial Services Authority for their support in this work.

The Government was also supporting preparations in the retail sector: the retail sector would be particularly important during a changeover, for example in delivering a cash changeover and in communicating practical aspects to citizens. Hilary Thompson thanked the British Retail Consortium for their contribution to this work.

Hilary Thompson highlighted progress on engagement with SMEs. Whilst the majority of SMEs would not need to make detailed preparations ahead of a Government decision to join, it was important that they were informed of the issues. To assist in raising awareness, a series of presentations and events had been held across the UK. Hilary thanked the British Chambers of Commerce who had hosted several events in the English regions.

Hilary Thompson noted that one subject often discussed at such events was euro compatibility. Government policy remained that euro compatibility should be incorporated into all new or upgraded systems in the public sector where this represented value for money. Updated euro compatibility guidance for managers was published in January 2004.

Hilary Thompson said that voluntary sector preparations were 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. Hilary invited Stuart Etherington, Chief Executive of NCVO to comment.

Stuart Etherington confirmed that NCVO continued to support appropriate euro preparations across the voluntary sector. In order to assist with this, NCVO planned to publish a further leaflet for their members setting out the key issues to consider.

In response to a question about whether any lessons could be drawn from the euro area regarding the possible benefits to voluntary organisations of 'de-hoarding' campaigns encouraging people to donate loose change to charities, Stuart Etherington replied that the Irish experience was the most relevant.

Hilary Thompson then updated the Committee on progress on key workstreams, including the Managed Transition Plan, the Integrated Communication Plan and the Consumer Protection Framework. She thanked organisations present for their input, and said that documents would be available for consultation with key stakeholders in autumn 2004.

Hilary then presented the results of consultation on the third outline National Changeover Plan, published in June 2003. She noted that all organisations had said that they could meet the outline timetable for a changeover.

In response to comments from stakeholders, the Government had produced a leaflet summarising the main points of the outline Changeover Plan. Copies would be available following the meeting, and further copies could be requested from the Euro Preparations Unit.

The Chancellor thanked Hilary for her presentation, and then invited comments from Ministers present.

Peter Hain, Secretary of State for Wales, noted that the Welsh Euro Preparations Committee had identified the need to support vulnerable groups during a changeover as an issue of

particular importance. He asked whether the Euro Preparations Unit had made any estimate of the likely amount of hoarded coin in the economy.

Hilary Thompson said that no estimate of hoarded coin had been made. She added that the Euro Preparations Unit had undertaken research into euro area experience, and that the outline National Changeover Plan included provision for 'de-hoarding' campaigns.

Jacqui Smith, Minister of State at the Department for Trade and Industry, reported on a recent meeting of the Business Advisory Group (BAG), jointly chaired by herself and Ruth Kelly, Financial Secretary to the Treasury. Ministers had particularly welcomed the opportunity to discuss the issue of engaging SMEs. Jacqui Smith also noted that she had attended an event hosted by the Black Country Chamber of Commerce, at which euro issues had been discussed. The next meeting of BAG was planned following Budget 2005.

The Chancellor then invited further comments and questions from those present.

Ian Mullen, Chief Executive Officer of the British Bankers' Association, said that the Banking Industry Outline Euro Blueprint set out plans for the banking industry and was regularly updated. It would be important to maintain institutional memory and ensure that plans remained relevant.

Kevin Hawkins, Director General of the British Retail Consortium, welcomed the work of the Government in keeping SMEs informed of the issues. He noted that this was a challenge, as euro preparations were not high on the agenda for most small businesses.

Bill Midgley, President of the British Chambers of Commerce (BCC), reiterated that business should remain aware of the issues. He said that BCC had hosted four events for business at which euro issues had been discussed, and said that BCC would be happy to arrange further seminars.

Ian McCafferty, Chief Economist of the CBI, said that organisations that needed to prepare had generally done so, but that there was now a reluctance to invest further in euro preparations.

In response, Callum McCarthy, Chairman of the Financial Services Authority, said that the challenge would be to retain institutional memory.

Terry Hodgkinson, Chairman of Yorkshire Forward, said that Regional Development Agencies (RDAs) were well placed to show strong leadership in this matter, particularly in reaching SMEs, as RDAs had extensive networks.

The Chancellor then invited Barry Sheerman MP, Chair of the Cross Party Group on Euro Preparations, to update the Committee on the work of the Group.

Barry Sheerman said that the Cross Party Group had observed that some private sector organisations had scaled back their euro preparations work. The public sector continued to make good progress. Barry extended an invitation to members of the Standing Committee to attend future meetings of the Cross Party Group, if they had not yet done so.

Barry Gardiner, Parliamentary Under-Secretary Northern Ireland Office, noted that Northern Ireland had some special characteristics relevant to changeover planning: a land border with the euro area and a very high proportion of SMEs. More work needed to be done to encourage a higher proportion of businesses catering to the tourist trade to accept payment in euro.

Andrew Turnbull, Cabinet Secretary, noted that large organisations had an opportunity to build euro compatibility into their systems and processes now, in line with Government policy.

Terry Hodgkinson, Chairman of Yorkshire Forward, noted the importance of intermediaries in helping business to remain informed of the issues. As announced in Budget 2004, Regional Development Agencies would now be responsible for delivery of the Business Link service.

Hilary Thompson said that Government had worked with intermediary organisations to provide information to business, for example, with the Institute of Chartered Accountants in England and Wales and their sister organisations in Scotland and Northern Ireland. We would be happy to discuss opportunities with RDAs.

The Chancellor thanked the Committee for their contributions, and for the substantial work that has been done on euro preparations. He said that it was important to maintain preparations so that plans could be implemented quickly should a future Government decision be taken to recommend joining.

It was important to be informed, to know the challenges, and then to be in a position to move quickly.

Work would continue, and officials would be happy to engage with Committee members and their organisations on any further issues that they wished to raise.

The next meeting of the Standing Committee would be in the New Year.