

Local Authorities

Euro Preparations Guidance
June 2003

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Local Authorities Euro Preparations Guidance

Section One: Introduction

1.1 Government's policy on euro preparations

Preparations are an integral part of the Government's policy on Economic and Monetary Union, in order to ensure that the UK retains a genuine option to join the single currency, if that is what the Government, Parliament and the people, in a referendum, decide. This guidance, developed in consultation with local authority representatives, should assist local authorities in making preparations. It aims to ensure consistency in approach on euro preparations in local government with that of Government departments and other public sector bodies.

Further information about the Government's policy on Economic and Monetary Union can be found at www.hm-treasury.gov.uk.

1.2 Why are preparations important for local authorities?

A euro changeover would be relevant to local authorities in their role as:

- Key service providers in highly visible areas;
- Key partners for business, voluntary and community sectors;
- Large local employers;
- Communicators to citizens, local communities and businesses.

In the euro area local government played a critical role by delivering key services uninterrupted during the changeover and by communicating with citizens. The Government is committed to working in partnership with local government to deliver a smooth and cost-effective changeover for the UK, in the event that a decision is taken to join EMU. As part of sensible risk management and forward business planning, in line with broader public and private sector planning, local authorities are strongly advised to commence preparations to ensure that they could deliver a changeover within the outline changeover timetable (around 30 months after a positive referendum, see page 5 for more detail).

1.3 Structure of Guidance

This introductory guidance provides an overview of key policy issues, with specific advice on management and communication issues. Each section has been developed in consultation with local authority representatives. Future guidance on service-specific issues will be issued in due course. However, local authorities are strongly advised to commence preparations now.

As local authorities in England, Scotland, Wales and Northern Ireland have different areas of responsibility, not all parts of the guidance will be relevant to all authorities. However, most of the guidance is applicable to all local authorities in the UK.

1.4 Help and further assistance

Help and further assistance is available from the Euro Preparations Unit, HM Treasury, who would be pleased to offer feedback to authorities on their preparations. The Euro Preparations Unit is also keen to receive examples of plans already developed by authorities, in order to share best practice more widely. Please email euro.localauthorities@hm-treasury.gsi.gov.uk

The Office of the Deputy Prime Minister – which has responsibility for local government in England – can act as a contact point for this guidance. Please contact:

James Firth, Democracy and Local Governance Division, Office of the Deputy Prime Minister (www.odpm.gov.uk) james.firth@odpm.gsi.gov.uk

The Department of Trade and Industry would welcome local authority views on consumer protection issues. Please contact Mike Paice, mike.paice@dti.gsi.gov.uk.

The Scottish Executive can act as a contact point for Scottish local authorities. Please contact Alex Stobart, alex.stobart@scotland.gsi.gov.uk.

The Welsh Assembly can act as a contact point for Welsh local authorities. Please contact Lisa James, lisa.james@wales.gsi.gov.uk

The Department of Environment in Northern Ireland can act as a contact point for Northern Irish local authorities. Please contact Peter Aiken, peter.aiken@doeni.gov.uk

Other sources of information include:

The Government's Euro Information Web-site (www.euro.gov.uk)

The Local Government Association (www.lga.gov.uk)

The Convention of Scottish Local Authorities (www.cosla.gov.uk)

The Welsh Local Government Association (www.wlga.gov.uk)

The Northern Ireland Local Government Association (www.nilga.org)

Chartered Institute of Public Finance and Accountancy (www.cipfa.org.uk)

The Audit Commission (www.audit-commission.gov.uk)

Local authorities are also advised to take advantage of existing twinning arrangements with authorities in the euro area to learn how they managed their changeover.

Section Two: Planning Framework and Next Steps

2.1 Overview

This part of the guidance:

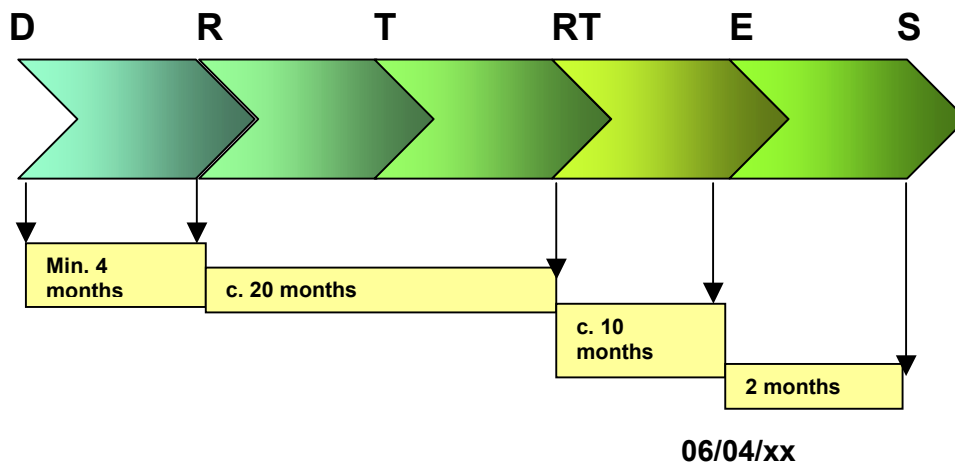
- sets out the UK's changeover planning framework;
- the outline Changeover Timetable; and
- offers advice on the management of preparations and suggested next steps.

2.2 The UK Changeover Planning Framework

The Government has produced three outline National Changeover Plans (in February 1999, March 2000 and June 2003), in consultation with private, public and voluntary sectors, setting out planning assumptions for a potential changeover. In addition, regular Reports on Euro Preparations summarise preparations work across the economy, as well as lessons from the euro area. Authorities may also find separate reports on Private Sector Learning from the euro area and guidance on euro compatibility helpful in making preparations. All publications are available at www.euro.gov.uk.

2.3 Outline Changeover Timetable

The UK's outline Changeover Timetable (below) shows a period of around 30 months between a positive referendum and the introduction of euro cash.



- D:** Decision – the Government's assessment on EMU membership;
- 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.

The Government has concluded that 6 April is the optimal date for E day, following extensive consultation with organisations in the public, private and voluntary sectors.

2.4 Management of preparations and suggested next steps

A euro changeover would have a large impact on a local authority's business plan affecting nearly all services provided and internal systems, in particular: payroll; revenue collection; housing benefit; trading standards; retail and leisure services; education; and, critically, communications activities. Sufficient resources would need to be devoted to planning to ensure a smooth and cost-effective changeover.

In line with other parts of the public sector, authorities are advised to undertake planning work now to ensure plans are in place to deliver a changeover in line with the outline timetable. Lessons from the euro area suggest that we should:

1. Plan early to reduce costs;
2. Use risk management tools to make a thorough assessment of the risks;
3. Deal with the euro as a strategic cross-cutting issue with ownership resting with senior business managers and full involvement of technical specialists;
4. Use programme and project management methodologies to structure planning;
5. Pay special attention to communications, consumer confidence issues and interdependencies with other organisations;
6. Look for and share imaginative solutions and opportunities.

Authorities should identify all business areas that would be affected by a changeover and then think about the management structure for euro preparations before a referendum and then during a changeover. Options include:

1. A central co-ordination board chaired by an elected member or senior manager with nominated representatives from each major operational and service area;
2. A central project team for managing a possible changeover;
3. A co-ordination board with other authorities and delivery partners.

Having identified business areas affected by a changeover and established a programme management structure, authorities should develop a changeover plan. Clear business requirements should be specified both at the corporate level and for individual service areas. This should enable detailed consideration of technical issues. The next section outlines key business issues and, where appropriate at the end of each part, there is a planning checklist.

Planning Checklist:

- Identify key business areas and policies that might be affected by a changeover.
- Establish a programme management structure.
- Resolve key business issues that would affect the overall corporate changeover strategy for a changeover as well as individual business areas.
- Develop a changeover plan.

Section Three: Key Business Issues

3.1 Introduction

A euro changeover would raise a number of strategic cross-cutting business issues. Examining and resolving key business issues first and then making technical preparations to meet agreed business needs ensures that resources are used most effectively. This Section outlines a number of key business issues:

- Managed Transition and Transition Services
- Communications
- Training Issues
- Cash Changeover Issues
- Consumer Issues
- Procurement
- Conversion and Rounding
- Smoothing
- Stored Data

3.2 Managed Transition and Transition Services

In a changeover, the Government would implement a phased introduction of euro denominated services, a “Managed Transition”. The outline Changeover Timetable on page 5 sets out key milestones during a possible UK changeover. The wholesale financial markets would changeover at T. Retail financial services and euro cash would be phased in later. For a period after entry at T, banks would continue to deal with private and most business customers, including local authorities, in sterling.

What would Managed Transition mean for Local Authorities?

Many organisations would provide euro transitional services between RT and E (for example, authorities might receive bills in euro between RT and E). Authorities should consider what transitional services they should provide to support citizens and businesses in their changeover (for example, revenue collection services, payroll).

Bank account conversions

The principal driver for euro usage by authorities’ customers would likely be the availability of euro denominated bank accounts. Between RT and E, banks would convert sterling accounts to euro accounts. After RT, banks would automatically convert payments in euro or sterling into the currency of the recipient’s account, with no additional charge or clearing time. Most consumers’ accounts would be converted via a phased migration between RT and E. Business customers might be able to determine their own timing. Authorities, though, might reasonably expect euro transactions to increase substantially towards the end of the transition.

Payment Methods

Authorities could choose to accept euro denominated cheques and euro electronic CHAPS and Direct Credit payments from T with no exchange rate risk. However, Direct Debits would not be available until RT, and widespread use of euro cheques would be unlikely until shortly before the introduction of euro cash on E day.

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Euro cash would not be legal tender in the UK, and local authorities would not be obliged to accept it until E day. However, each authority would be free to accept euro cash if it fitted with its changeover strategy. Before E day, banks would be able to continue to charge a handling fee for deposits of euro cash.

Direct Debits for Council Tax and Business Rates

As Direct Debit scheme rules require authorities to inform customers in advance of a change to their Direct Debit, any conversion of Direct Debits would require proper planning. To avoid a special mailing, large Direct Debit originators, such as local authorities, could send change notifications with annual bills ahead of the year in which the change would occur. For example an annual Council Tax bill would need to show both the sterling amount which would be debited at the start of the year, and the equivalent euro amount which would be debited once the collection started in euro. Authorities could provide more detailed information to customers if they wished and ought to abide by the Public Sector Consumer Code of Conduct (see Annex A).

Transition Tax Services

Inland Revenue and HM Customs and Excise would offer a range of euro denominated tax services during a potential transition to the euro, starting at RT, including VAT. Authorities might consider converting their own tax systems to operate in two currencies prior to E day.

Public Works Loan Board

The Public Works Loan Board would convert its systems to euro at E day, and so systems dealing with loans to local authorities would operate in sterling until E day.

Debt Management Office

There is also a facility for local authorities to deposit funds with the Debt Management Office (DMO) and from T the DMO would expect to receive and repay amounts in euro. It would be for individual authorities to arrange any conversions into and out of sterling with their own banks between T and RT.

Planning Checklist:

- Through consultation with relevant stakeholders identify any transition services that would be provided.
- Ensure that other organisations' transition plans are factored into corporate strategy.

3.3 Communications

Timely and relevant information for business and citizens would be critical to a UK changeover. Due to their significant interactions with business and citizens, local authorities would have an important role to play in communicating key messages, particularly to vulnerable groups, and helping to maintain consumer confidence. Communications issues are considered in more detail in Section Five.

3.4 Training Issues

In making changeover plans, authorities should consider additional staff training that would be required. It might be that all staff would require a short general introduction to euro issues, with more detail for frontline and technical staff. In some cases cooperation with others such as neighbouring authorities, Primary Care Trusts, hospital trusts, post offices, Job Centres, local DWP offices or central government agencies might be appropriate.

Planning Checklist:

- Ensure training considerations are factored into changeover plans.

3.5 Cash Changeover Issues

A cash changeover would impact on three key types of service provided by authorities or their delivery partners:

- provision of retail services (e.g. vending machines);
- coin vended services (e.g. parking and pay and display meters); and
- other services that require sterling coin (e.g. some library services, school lunches).

Euro area learning suggests that from E day, the economy would move rapidly to a euro cash-only payment basis. In the euro area, ATMs provided only euro notes and most retailers provided change in euro coin only within a few days of 1 January 2002. The Government would expect a similar pattern in a UK changeover. In most euro area countries, local authorities had major cash interfaces with the public (parking meters and pay and display machines). Coin selector equipment was very sensitive and in the early days of the cash changeover problems arose in some areas because euro coins were rejected. As a result some authorities allowed free parking, incurring a loss of revenue, while others issued more penalty tickets than usual as they waited for the machines to be adjusted. Early planning and clear communications would help avoid similar problems in a UK changeover.

Key assumptions:

The Government has identified the following key planning factors:

- it is expected that there would be a rapid cash changeover from sterling to euro if the UK were to join EMU. Most citizens would be using, and expecting to be able to use, euro cash only within days of E day even though sterling cash would remain legal tender for two months after E day;

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- organisations should start planning early to ensure that all aspects of the services they provide (or others provide on their behalf) that would be affected by a cash changeover are identified; and
- plans should take account of possible revenue effects, such as loss of income from unconverted vending machines. These could be significant if authorities are not able to accept euro cash for services from E day.

Planning Considerations

Planning work should first identify all services that involve, or could involve cash payments (e.g. payments of fines) as well as possible smoothing issues (see page 17).

- **Services provided to citizens on a cash basis.** Authorities would need to ensure that they had adequate euro cash from E day to make, wherever possible, all change payments in euro. Staff would need to be trained both to deal in euro cash from E day and to follow procedures for handling the withdrawal of sterling cash from circulation. Where services were provided by partners, there should be adequate monitoring and reporting procedures.
- **Vending services.** Authorities should identify all vending services provided by them or their delivery partners. Working where necessary with vending industry representatives, authorities would need to develop plans for converting vending machines. These plans would need to provide a timetable for conversion that takes full account of possible revenue impact.
- **Other services dependent on cash or coin.** Authorities should identify other services that depend upon cash or coin where conversion issues would arise. Examples include parking facilities/meters, and lockers at leisure centres. Conversion plans would need to enable euro cash to be used from, or as soon as possible after, E day.

Planning Checklist:

- Identify all services that involve, or could involve cash payments as well as smoothing issues.
- Discuss potential requirements with vending industry representatives.
- Consider staff training issues.

3.6 Consumer Issues

During a changeover, the display of prices, fees and tariffs in two currencies might give rise to confusion, unless sufficient information was provided. A consumer protection framework for a UK changeover would involve:

- partnership with trading standards departments, regulators and the voluntary and community sector, including DTI's initiative to develop Consumer Support Networks at the local level;
- voluntary sectoral Consumer Codes based on the principles outlined below;
- a dedicated national telephone helpline overseen by the euro changeover coordinating body to deal with queries from the public and business;
- a euro "fair trading" logo that could be displayed by businesses abiding by a Consumer Code, with a contact number for queries or complaints (either a firm's own helpline, the national helpline or local trading standards offices);
- a communication strategy that would deliver national understanding of the implications for business and the consumer, including vulnerable groups;
- robust price monitoring and possible additional research by the Office for National Statistics (ONS), including the state of preparedness through ONS business survey networks.

Enforcement

Monitoring and enforcement would use existing channels. Trading standards departments would play a critical role in ensuring price transparency. They would continue to ensure that traders provided unambiguous, easily identifiable and clearly legible price indications (Price Marking Order 1999), enforce price transparency requirements for the provision of services at pubs, bars and restaurants (Price Marking [Food and Drink on Premises] Order 1979) and enforce misleading price provisions of the Consumer Protection Act 1987. Forthcoming Stop Now Orders legislation enables the Office of Fair Trading, trading standards departments and other designated bodies to apply to the courts to cease conduct that infringes a range of consumer protection legislation.

The DTI is setting up a national consumer helpline, Consumers Direct, to be rolled out from Summer 2004 to provide easy access to impartial advice on consumer protection issues. During a changeover the helpline could deal with euro enquiries. Consumer Support Networks, local partnerships of consumer advice agencies, such as trading standards offices, Citizens' Advice Bureaux, Age Concern and businesses might also provide consumer advice, information and education. HM Treasury and DTI would welcome further ideas on how trading standards offices and local organisations could help protect consumers during a changeover (see contact details on page 4).

Consumer Codes

Draft principles for a Consumer Code of Practice, developed in conjunction with the private, public and voluntary sectors, were published in the Sixth Report on Euro Preparations and are set out below¹. It is envisaged that the public sector would abide by a broader Public Sector Consumer Code of Conduct (see Annex A), in line with these principles. Local authorities are encouraged to sign up to this code.

¹ Available at www.euro.gov.uk

Principles for consumer codes of practice

Overall aim

To ensure that consumers would be confident of being treated fairly, and provided with adequate, targeted and easily understood information to help them during a changeover from sterling to euro.

Core principles

- for amounts displayed in euro and sterling the two figures should be equivalent in value, and it should be clear which denominations and which methods of payment are accepted;
- the official conversion rate must be applied and rounding rules adhered to in all dealings with consumers;
- consumers paying in euro or sterling should be treated equally, although a clearly displayed fee might be charged where euro notes and coins were accepted before their formal introduction in the UK;
- accurate, clear and targeted information should be provided to assist consumers with a changeover;
- dual currency information for consumers should be provided, in an appropriate form, for at least the period from euro cash day minus four months until the withdrawal of sterling notes and coin was completed;
- in the operation of this code, the needs of vulnerable groups, such as older people, the visually impaired and those with learning difficulties, should be taken into account;
- staff dealing with customers should be well trained and able to provide consumers with straightforward, accurate and relevant information about how the changeover affected the consumer's dealings with the organisation; and
- organisations wishing to display any logo as a visible sign of compliance to the code must include an approved contact number.

Various sectors of the economy are developing voluntary sectoral codes. For example, local authority run transport services ought to abide by the Transport Code of Practice (see Annex B).

Dual Display of Price Information

Dual display would mean showing price information in both sterling and euro, to help consumers become familiar with euro prices before E day. It would not necessarily imply that the retailer or service provider would be able or willing to accept payment in both currencies.

Under the Draft Public Sector Consumer Code of Conduct, a local authority should provide access to dual currency information (e.g. on pay and display signs or price lists) from four months before E day, and at least until the end of the dual currency period to allow consumers to establish a new register of values, and ensure consumers have confidence that a changeover was not being used to mask increases.

Dual display could take a variety of forms. As a minimum, an approved conversion chart would be displayed at the point of sale showing the conversion rate and sterling to euro conversions for common transaction values. Many would go further by:

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- Displaying euro equivalents on shelf displays for at least high turnover items;
- Writing euro equivalents alongside sterling prices on display boards or cards.

Euro area learning shows that voluntary agreement to provide access to dual currency information worked at least as well as mandatory requirements. The Government has no plans to impose mandatory dual pricing in a UK changeover. Voluntary dual display would be compatible with current pricing legislation.

Planning Checklist:

- Ensure the principles for the consumer code and the implications of the Draft Public Sector Consumer Code of Conduct are factored into planning considerations.
- Ensure dual display requirements are fully considered and incorporated into plans.
- Consider how local trading standards offices and consumer support networks could best help protect consumers.

3.7 Procurement

Euro Compatibility

When launching the first outline National Changeover Plan in February 1999, the Prime Minister said; “The public sector will give a clear sign of its commitment to prepare...where computer systems are being upgraded, all public bodies will build in euro compatibility where that represents value for money.” Building in euro compatibility as systems are upgraded would significantly ease a changeover. In many cases, the marginal cost of building in euro compatibility is low.

In general terms, euro compatibility is a measure of the ability of policies, processes or systems to accommodate the euro. This varies depending on the services to be offered by a particular policy, process or system, and when these services are likely to be introduced during any changeover. Each authority has already received guidelines about euro compatibility, also available at www.euro.gov.uk.² Factoring euro compatibility into procurement decisions could include ensuring that:

- New IT systems could process amounts denominated in euro;
- New computer keyboards and printers include the euro symbol;
- New machines, such as parking ticket dispensers, have euro functionality.

Procurement Planning

Legacy systems, not recently upgraded, might need to be converted and to deliver this might require IT resources. Guidance on planning an IT Euro Programme is given on pages 23-24 and this should help determine the amount of IT consultancy resource that might be required during a changeover. Authorities are responsible for taking their own procurement decisions subject to the requirements of Best Value legislation and to the EC/UK regulatory framework. It would be sensible to engage in dialogue with suppliers (as permitted by EU Regulations³) to ascertain IT needs and to investigate innovative approaches to procurements, e.g. partnerships with neighbouring authorities or authorities that use similar software. Further advice on procurement planning is available from the Office of Government Commerce (OGC) and from the Audit Commission and IDeA (web-sites are listed in Annex C).

The OGC has identified Gateway Project Reviews as the main driver for improving project procurement in central government. The Gateway process independently examines a project at critical stages in its lifecycle to provide assurance that it can progress successfully to the next stage. The Public-Private Partnerships Programme (4Ps) are piloting a new Gateway Review process for local authorities. Gateway Reviews could provide a useful health check for euro preparations.

² Euro Compatibility – a Technical Guide for Managers in Central Government, available at www.euro.gov.uk

³ EC Procurement Directives are implemented in the UK by various Public Procurement Regulations. These Directives set out procedures and criteria for specifications, the selection of tenderers and the award of contracts. Even where the EC Directives do not apply (i.e. a contract is below the specified threshold), authorities must comply with broader obligations under the EC Treaty, which are non-discrimination, transparency and competitive procurement principles.

Planning Checklist:

- Ensure systems planning is aligned with business needs.
- Consider OGC Gateway Reviews as part of overall project planning.
- Engage with other authorities and suppliers to ascertain IT conversion needs.
- Consider innovative approaches to procurements.

3.8 Conversion and Rounding

Reg. 974/98/EC provided for the automatic conversion of references to national currencies in “legal instruments” during the euro area changeover and we could expect a similar provision should the UK join. Legal instruments were broadly defined to include “acts of administration,...contracts...instruments with legal effect.” Most local authority regulations would be covered by this or a similar regulation.

For the euro area, EC rules⁴ laid down that:

- Conversion rates between the national currency units (NCUs) of first wave countries and the euro were officially fixed and defined to six significant figures. For example, for Deutsche Marks, EUR 1 = DEM 1.95583, and for Italian lira of EUR 1 = ITL 1936.27.
- *Only* the official conversion rate may be used when converting from an NCU to euro (and vice versa). Rounded, truncated or inverse rates must not be used.
- Converted monetary amounts should generally be rounded to the nearest currency sub-unit. This excludes national rounding rules or practices not intrinsically related to the translation (e.g. rounding tax returns to whole units, allowed in a number of euro area countries, was not affected by the EC rules).

Using these rules to convert and round an NCU or euro amount delivers an amount **legally equivalent** to the original amount. The strong working assumption is that similar or identical rules would apply to sterling following a UK decision to join EMU.

Vertical rounding

Where a total amount is made up of several components, then if each component amount is converted and rounded it could lead to a slightly different result to converting and rounding only the total. The following example uses a fictitious benefit calculation based on a rate of €1 = 0.456789.

BENEFIT	AMOUNT	EURO EQUIVALENT
Component A	68.90	€150.84
Component B	23.75	€51.45
Component C	42.75	€93.59
Total	135.15	€295.88

Adding the euro equivalents rounded at the component level comes to €295.88, whereas rounding at the total level gives €295.87.

Legal interpretation of current EU Regulations points to the conversion of every individual amount, but for rounding to take place only at the total level. This offers a workable solution, except for IT systems unable to cope with six or more decimal places. Euro area experience shows that the problem is manageable and clear communications are important. In making communications plans, authorities should consider how best to communicate vertical rounding issues to citizens.

⁴ Regulation EC 1103/97, see Annex D on p.123 of the third outline National Changeover Plan available at www.euro.gov.uk.

Planning Checklist:

- Ensure key business areas are aware of conversion and rounding rules.
- Consider implications of vertical rounding and factor this into communication plans.

3.9 Smoothing

Even after rounding according to EC rules, amounts might seem 'odd' or 'rough.' e.g. DEM 500= € 255.65. Often this might not matter. But for some amounts, e.g. the price of a lottery ticket, round numbers like £10 or £50, organisations might decide to apply certain *further* adjustments to produce more convenient euro amounts, known as 'smoothing.'

Local authorities set a number of charges, fines and penalties, including car parking charges and leisure centre entry prices. In a consultation exercise, conducted by ODPM with a small number of authorities in Autumn 2002, authorities suggested that car parking charges, fines and some charges for retail services (e.g. public conveniences) might need to be smoothed. It is possible, however, that with clear communications, unsmoothed amounts could be managed for a short period pending the next review or uprating of amounts.

Government departments have concluded that very few amounts would need to be smoothed during a changeover. The Department for Work & Pensions (DWP), for example, does not plan to smooth any benefit amounts, including housing benefit. Some unsmoothed or odd amounts in euro after E day (or sterling before E day) for a short time would send a clear message to citizens that there had been no change due to conversion and help underpin consumer confidence. No additional funds would be available to meet smoothing costs in the public sector.

Authorities should take note of the following recommendations:

- Smoothing for presentational reasons should be avoided where possible;
- Where amounts are reviewed and uprated regularly, authorities should normally live with the unsmoothed euro amount for a transitional period, and consider a smooth euro value at the next review or uprating;
- Imaginative solutions should be considered to avoid the need for smoothing (see car parking example below);
- Normal business rules should apply to amounts in euro as well as sterling;
- Where the costs of smoothing are lower than the costs of the IT or business changes necessary to avoid smoothing, then smoothing may be necessary;
- If smoothing was necessary in the public sector, it should be in the citizen's favour. (Note this excludes public transport, for which a separate Code of Practice would apply (see Annex B)).
- Fines and fixed penalties are dealt with separately below.

Local authorities could also use the time between T (when the fixed rate would be known) and E day to plan any conversion of monetary amounts. Local authorities might plan to manage with an unsmoothed sterling amount for a short period prior to adjusting to a smoothed amount at or shortly after E day.

Case Study – Car Parking Charges

For car parking charges in Belgium and Ireland, a number of authorities changed the length of time for which a €1 payment would be valid, rather than smoothing the price of 1 hour's parking. For example, if, in Ireland, a car park had charged £1.20 per hour, this would convert to €1.52. It would be difficult to issue tickets valid for 1 hour at €1.52. However, for €1 a customer could buy a ticket valid for 39 minutes, which would give exactly the same value in euro as the previous price in punts. By encouraging customers to focus on the specific time that they would need to move their car (e.g. by emphasising this on the parking receipt) rather than the duration, authorities were able to avoid smoothing. This might not be technically feasible for all types of parking meter equipment, but demonstrates the sort of lateral thinking that can help solve most euro issues without the need to increase prices.

Fines and Penalties

Where possible, new fines and penalties should use “levels” set in the Criminal Justice Act 1982 s.37. If these levels were smoothed in a changeover, any fines linked to these levels would automatically become euro compatible. Other fines and penalties are set as ranges or maxima. For example, an Irish penalty set at IEP100-IEP2000 converted as €126.97- €2539.48. Administrators and judges could set individual fines at smooth levels within these ranges, e.g. €130 or €2500.

Where these solutions are not possible, smoothing may be required, particularly in the case of fixed penalties. Although smoothing should be in the citizen's favour, this does not mean that all fines and penalties should be reduced. Law-abiding people are citizens too, and an increased fine or penalty might be in their interests. It would be a policy decision for the authority whether to smooth to a higher or lower level, or to move to levels set in the Criminal Justice Act subject, as appropriate, to the usual legislative processes.

Planning Checklist:

- Identify amounts that might require smoothing, with the aim of keeping this to a minimum.
- Consider how smoothing might be achieved, noting that it ought to be in the citizen's favour.
- Consider using “rough” sterling amounts for a period of time.
- Ensure technical plans are in place to deal with smoothing issues (e.g. car parking meters, IT systems changes).
- Factors smoothing considerations into communication plans.

3.10 Stored Data

Stored data is information held on systems (IT or otherwise) that exists before the introduction of UK euro notes and coins. This includes information generated or stored in either euro or sterling before T. Data might be live (continues to be required for processing) or dormant (no longer required for operational purposes).

Stored data might need to be accessed after E day for various reasons, including:

- calculation of taxes paid / due;
- comparison of monetary data with previous years to identify trends; and
- dealing with queries from members of the public about previous years.

Authorities would need to decide case by case whether to convert stored data from sterling to euro. Authorities should only convert stored data where there is a clear business case for doing so e.g. stored data that is regularly accessed.

Costs of conversion might include:

- new or upgraded software and hardware;
- programming and testing required for the conversion exercise;
- system and human resources to process conversion;
- potential system downtime to implement the conversion;
- the need for an audit trail.

These costs should be balanced against the benefits of:

- potentially easier and more accurate trend analysis; and/or
- avoiding operational difficulties that would arise by not converting data.

How should data be converted?

The exchange rate to be used in converting stored data to euro would be the rate agreed at the time of joining EMU except as otherwise required by UK or European Union legislation.

Note that, in the vast majority of cases, the exchange rate which prevailed at the time the original data was stored would not be relevant for the subsequent conversion. The official rate should be used. See Case Studies 1-3 on pages 21-22.

An exception would relate to assessment of foreign currency claims which involved evidence or data submitted in euro prior to T. This would be of relevance only to authorities that assess claims using foreign currency data. Existing business rules would apply. See Case Study 4 on page 22.

Good practice in converting data

- **audit trail** – internal audit processes will require suitable audit trails. The Audit Commission and its appointed auditors might also require an audit trail to transaction level. The Audit Commission would be willing to guide local authorities about the systems required to provide an acceptable audit trail;
- **archiving and access arrangements for original data** – original data should remain accessible. This might not be possible with new software; old computer software or hardware or original material in hard copy might need to be retained. There should be clear archiving policies for each system. Guidance on archiving is available in Annex G (pp.139-149) of the third outline National Changeover Plan;

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- **back-up copies** – where full databases were converted, a back-up copy should be retained at conversion dates, perhaps held on separate read only databases;
- **legal requirements** – authorities should consider any potential legal requirements for presenting financial information in cases where information was contested. For example in a dispute over payment, only the original record of the actual amount paid might be admissible as evidence;
- **Data Protection Act requirements** – Where data referred to living individuals, conversion would need to comply with the Data Protection Act. This should not pose a problem, but authorities should seek advice from their legal advisers prior to any conversion;
- **communication** – where data represented converted amounts, this should be clearly stated in any outward-facing communications. Authorities should also consider how best to advise customers that calculations had been processed using converted data and how the conversion had been derived;
- **conversion discrepancies and reconciliation issues** – conversion of data using individual transactions or summary balances might lead to different sums because of rounding errors. See page 16 for further guidance; and
- **accuracy of data for audit and investigation purposes** – where the same data were held by different parties, the interested bodies should discuss whether similar treatment with respect to conversion was required. Where it was agreed to adopt a different approach, bodies should make clear the reasons for this and the different approaches to be adopted.

Planning Checklist:

- Consider areas where there would be a business case for conversion of stored data.
- Using best practice guidelines, make appropriate plans for conversion.

Case studies

Case Study 1 – Inland Revenue

Refund of sterling tax liability originally paid in euro

Example

This is a fictitious example using fictitious exchange rates.

Assume that a taxpayer's liability was initially assessed at £1000 before the rate between sterling and euro was fixed. Using a floating exchange rate of €1=£0.456789, the liability of £1000 was paid as €2189.20. Currencies were then locked at €1 = £0.345678. After the introduction of euro notes and coin, the assessment was reduced by £100 to £900. An overpayment would therefore need to be refunded in € after the introduction of euro notes and coin.

Question

What amount would have to be refunded?

Answer

The answer is €289.29 (from £100/0.345678). Although the calculation using the original exchange rate might suggest €218.92, (i.e. one tenth of €2189.20), the rate applied would be the fixed rate. The rate on the day of the original transaction would not be used.

Case Study 2 – Inland Revenue

Conversion of NIRS2 Database

The Inland Revenue would convert all data on its NIRS2 Database (national insurance records). The Inland Revenue has concluded that converting all the stored data would maintain accuracy at lower cost. Other options would cost significantly more.

As part of its euro preparations, the Inland Revenue is considering access and archiving arrangements. One possibility would be to provide a facility for a snapshot of account details prior to bulk conversion. This could be coupled with an account retrieval facility and would essentially provide a further element of the audit trail required to underpin bulk conversion.

Case Study 3 – Valuations

Recalculation of business/non-domestic rates

Councils might need to convert databases of rateable values. This might be helpful in the scenario where a business ratepayer had paid business/non-domestic rates in sterling and after E day the Government District Valuer changed the property's rateable value retrospectively, meaning more or less rates were due. To avoid making comparisons in two currencies, a single currency system might provide administrative convenience.

Case Study 4 – Department for Work and Pensions (DWP)

Pre T Assessment of claims made in Euro (i.e. when euro is still a foreign currency)

Example

A pensioner living in Germany might advise DWP of income received in euro prior to T as part of their Income Support claim. At the time of the claim, the variable daily exchange rate would be applied to convert the declared income into sterling for assessment purposes. After T they advise that they previously provided incorrect information and provide DWP with the correct figure for reassessment. A retrospective calculation would be required as income would be attributed to the period in which it was paid.

Question

Which conversion rate should be used – the variable rate used at the time of the original claim or the rate applicable from T?

Answer

Existing business rules would apply. The income amount used to assess the claim should be represented by the value of the income when realised, i.e. when recalculating the assessment, the variable exchange rate in use at the time of the original claim should be used. New business rules in force after T would apply prospectively and not retrospectively.

Section Four: Key Technical Issues

4.1 Introduction

Once key business decisions have been made, authorities should start making technical preparations, most critically IT preparations, particularly in areas with potentially long lead times such as housing benefit. General information below should help authorities start making such technical plans.

4.2 Accounting Issues

Guidance would be produced prior to any changeover about the recommended timing of the conversion of financial accounts from sterling to euro. It is likely that authorities would have significant flexibility about the timing of any changeover of their internal financial systems. Furthermore, standard accounting and audit requirements would not change upon the introduction of the euro.

4.3 PFI Contracts

For existing local authority PFI contracts, there would be:

- no change for unitary charge paid by local authorities - the amount would simply be recalibrated in euro;
- no change in the debt repayments by the project company to the banks which will have been fixed through swaps;
- no opportunities for re-financing due to the new interest-rate regime.

4.4 IT Preparations

Once key business decisions have been made, authorities should start planning their IT strategy. Managers should identify systems and business processes that:

- include monetary fields;
- make reference to monetary amounts or currency symbols;
- impact or introduce business processes involving monetary amounts;
- have no currency functionality and would not be affected by a changeover.

Having identified relevant systems, authorities should allocate ownership of euro preparations for each system or cluster of systems. User Requirements should then be developed for each system. IT managers could then identify technical solutions, plan test strategies, data conversion plans and estimate costs.

Options for converting the base currency of systems to euro include:

- A “big bang”, one-off conversion of all systems at a single point in time;
- A phased conversion where each system or cluster of systems is converted individually with interfaces updated accordingly; and
- Running parallel versions of systems – one in sterling and the other in euro.

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Advantages and disadvantages of each approach are set out below.

	Advantages	Disadvantages
Big Bang Approach	<ul style="list-style-type: none"> ▪ Limits interdependencies between systems operating in sterling and systems operating in euro. ▪ May simplify the task of staff training. ▪ Might give more time for analysis and design work to prepare for the conversion. 	<ul style="list-style-type: none"> ▪ Could be disruptive, especially if problems at implementation stage. ▪ Does not allow gradual testing of euro systems in action. ▪ May cause significant resource pressure on IT staff.
Phased Approach	<ul style="list-style-type: none"> ▪ Allows gradual testing of euro systems in action. ▪ Reduces resource pressure on IT staff. ▪ Reduced risk of major disruption. 	<ul style="list-style-type: none"> ▪ Increased interdependencies between systems operating in sterling and systems operating in euro. ▪ May confuse staff. ▪ Reduces time for analysis and design work on the systems to be converted early in transition.

Further guidance on IT issues is available on pp. 92-93 of the third outline National Changeover Plan, including an IT Preparations Road Map.

Planning Checklist:

- Having considered business requirements, make an inventory of systems that might be affected by a changeover.
- Develop user requirements for each system, followed by technical solutions and project plans.
- Determine overall strategy for systems conversion, i.e. phased conversion or “big bang”.

Section Five: Communications

5.1 Introduction

Timely and relevant information for business and citizens would be critical to the success of a UK changeover. Local authorities would play an important role in communicating key messages during any changeover, particularly to vulnerable groups, and helping to maintain consumer confidence. Authorities are encouraged to develop communications strategies that dovetail with national plans set out below and that would ensure effective communication to their customers during any changeover.

5.2 Earlier planning work

The second outline National Changeover Plan noted the size and complexity of the communications task that would be required and presented the following propositions:

- people assimilate information most effectively when it is communicated by those from whom they expect to receive it;
- information is most effectively communicated when it is reinforced from a variety of credible sources over a period of time; and
- the role of information multipliers to help reinforce messages is vital.

5.3 Communication in the euro area

In the euro area:

- information programmes were carefully timed, clear, consistent and coordinated. Emphasis was placed on the practical aspects of the changeover. Intensive public education did not start until close to the arrival of euro cash, as citizens tended not to focus on information until the need to act on it was imminent;
- a variety of different channels were used to convey information, including mass media and partners in the public, private and voluntary sectors. Some countries placed an emphasis on face-to-face communication;
- additional information was provided for vulnerable groups. Representative groups worked with governments to communicate to these groups;
- a range of bodies across the public, private and voluntary sectors, including the European Commission and the European Central Bank, played significant communication roles within the communication process;
- communication for business began before programmes for citizens. This was because of the longer lead times for preparation by businesses and the role of some sectors (for example, retailers) as information multipliers; and
- countries received some funding from the Commission as a contribution to the cost of financing communication.

5.4 The role of local authorities in the euro area

Euro area local authorities played a key role in communicating with a wide range of local stakeholders, for whom local service providers were the obvious source of information. The extent of communication varied according to the responsibilities of authorities and degree to which they took a proactive approach.

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For example Rome's local authority trained 1,000 students from the University of Rome to act as 'euro ambassadors'. Each worked 2 or 3 days per week in supermarkets over the cash changeover period, assisting shoppers and answering questions. The authority regarded this as a highly effective means of communicating with low income groups and the elderly during the dual circulation period. Similarly, Dublin Corporation ran a consumer awareness programme in which they posted notices in public areas, wrote to housing customers, sent newsletters to suppliers and businesses, and ran a public website. Many German municipalities produced material in Turkish, Serbo-Croat, Polish and Russian to cater for non-German speakers.

5.5 Provision of information during a changeover

A communication strategy would need to adopt the following principles:

- **Clarity** – simple messages about what changes would happen, when, and what people would need to do to prepare;
- **Credibility** – supported by the overall changeover planning and endorsed or delivered by trusted communicators;
- **Coordination** – key messages delivered to different audiences across the economy, from a variety of sources; and
- **Accessibility** – information provided in a format that is as accessible to as many people as possible, taking full account of the needs of all citizens, including vulnerable groups.

5.6 Phases of a UK information programme

Communicating in a changeover would involve more than a description of the physical features of the new notes and coins: it would require helping everyone to develop an understanding of equivalent euro values. Everyone would need to understand what changes would happen, when, and what their role would be.

To support this, an ongoing communication programme would be required. Such a programme would use a variety of formats and channels, including local and national press, TV and radio, telephone helplines, leaflets, direct mail, and face-to-face communication and training. The information programme would require more intense activity around the key dates of a changeover.

At a referendum

Whatever the outcome of a referendum on UK entry to EMU, information would be needed to inform business and citizens of the implications. In the event of a Yes result, information aimed at business and citizens would:

- confirm a changeover timetable in as much detail as possible;
- explain what would happen next;
- explain where, and how, people could obtain further information; and
- remind everyone the issue of euro notes and coin was not imminent.

In the approach to, and immediately after joining EMU

The messages outlined above would remain important in the approach to joining EMU. In addition, the communication programme would:

- publicise the rate of entry;
- explain the rules for converting sterling to euro, and vice versa, including use of the exchange rate to six significant figures and the rules on rounding converted amounts;

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- explain the issues resulting from a permanently fixed exchange rate for UK business and citizens; and
- remind everyone the issue of euro notes and coins was not imminent.

In the approach to the start of a retail transition

The communication programme for business and citizens would:

- explain that, from this point, individual financial products might be converted from sterling to euro, and let people know from where to expect more detailed information about the timing and implications of this process. For example, if a citizen's bank account was to be converted, they should expect their bank to give them advance notice of when, and how, this change would be made as well as what would be different. This would apply to all financial products and services such as savings and mortgage accounts, direct debits and standing orders;
- explain the rules for conversion of prices from sterling to euro. Vulnerable groups would be a key audience for this message, which could be delivered in partnership with local authorities, the voluntary sector and consumer groups;
- explain dual display so business would be ready to introduce dual display from at least four months before E day, to act as information multipliers and answer enquiries from their customers;

In the approach to E day

A public information programme would:

- publicise the date of E day;
- introduce the new currency and explain how it would be distributed, focusing on the physical appearance and main security features; and
- outline the procedures for withdrawing sterling notes and coins.

The dual circulation period

The communication programme at this time would:

- explain how to exchange sterling cash. Retailers, in particular, would need to know procedures for accepting, storing, sorting, and exchanging sterling notes and coins. Banks would have a key role in taking in sterling and crediting it directly to euro accounts if customers did not want to exchange it for euro cash;
- publicise the end date of the dual circulation period; and
- explain residual arrangements for exchanging sterling and/or completing sterling transactions after its withdrawal (for example, reassurance that sterling cheques dated before E day would remain valid for six months from the date of issue).

5.7 Key messages during the phases of a changeover

	Information for citizens	Information for business
Immediately after a referendum	<ul style="list-style-type: none"> ▪ No immediate change to currency ▪ Set out timetable 	<ul style="list-style-type: none"> ▪ No immediate change to currency ▪ Set out timetable
In the approach to T	<ul style="list-style-type: none"> ▪ Fixed exchange rate ▪ No immediate change to currency ▪ Reinforce timetable 	<ul style="list-style-type: none"> ▪ Fixed exchange rate ▪ No immediate change to currency ▪ Make limited preparations ▪ Reinforce timetable
Around RT	<ul style="list-style-type: none"> ▪ Consumer information to explain pace of change/choices RT to E ▪ Preliminary dehoarding campaign ▪ Reinforce timetable 	<ul style="list-style-type: none"> ▪ Business information to explain pace of change/choices RT to E ▪ Step up preparations, including planning for a cash changeover ▪ Reinforce timetable
In the approach to E day	<ul style="list-style-type: none"> ▪ Familiarisation campaign ▪ Date of E day ▪ Main dehoarding campaign 	<ul style="list-style-type: none"> ▪ Familiarisation campaign ▪ Date of E day ▪ Make full preparations, especially for a cash changeover ▪ Facilitate withdrawal of sterling
In the dual circulation period	<ul style="list-style-type: none"> ▪ Using euro notes and coins ▪ Date when sterling ceases to be legal tender 	<ul style="list-style-type: none"> ▪ Facilitate withdrawal of sterling ▪ Date when sterling ceases to be legal tender

5.8 Coordinating information programmes across the economy

In the euro area, central information programmes were led by finance ministries as an integral part of managing a changeover. Coordination of a UK changeover would be achieved through a similar process, with a Government-led Communications Working Group (CWG).

5.9 Financing of communication programmes

In the euro area, all countries had a budget for a central information programme, but, beyond this, the costs of communications were generally borne by the organisation that commissioned and carried out specific activities. Given the success of the euro area changeover, there is no reason for the UK to adopt a different approach. There would be a limited exception. Some funding would be available for partners experienced in communicating with vulnerable groups. Government information material would need to take into account communication with vulnerable groups. This responsibility includes, but would not be limited to, meeting statutory duties for the provision of Government information materials, for example, providing such material in a range of appropriate languages.

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As a general principle, citizens should not be expected to bear additional explicit or hidden charges to gain access to the information they need.

The adaptations of mainstream materials that would be considered as part of an information programme could include:

- printed materials in a range of languages;
- large print, Braille and audio materials of printed materials for the visually impaired;
- textphone facilities for telephone helplines;
- signed, subtitled or closed caption options for television information;
- ensuring that materials and information forming part of the mainstream programme were placed in the appropriate media and venues to reach specific vulnerable groups, for example, Post Offices to reach benefit claimants, or using radio advertising to reach people with visual impairments;
- the use of appropriate intermediaries to deliver face-to-face information, explaining and reinforcing the mainstream materials;
- issuing materials for vulnerable groups in advance of those for all citizens, and making them available for longer periods. Additional time might be required to train intermediaries and for the target groups to assimilate the information.

5.10 Next steps

To prepare, local authorities should:

- identify key stakeholders (for example council tax payers, housing benefit recipients, leisure customers) and consider whether they need to be separated into discrete categories, depending on a need for information at different times and to differing levels of detail;
- audit current communication channels (for example newsletters, web-sites, advice centres, mailing of bills);
- identify key relationships and interdependencies with other organisations (for example voluntary organisations, neighbouring authorities, regional business support bodies);
- identify communications that would be required at different phases of any changeover (for example information about transition services, notification of direct debit changes, messages of reassurance about benefit payments);
- consider how to ensure that the needs of vulnerable groups were met (for example through adult learning centres, day centres, libraries, schools, and through the provision of material in a number of languages); and
- consider how and when staff would receive information and training.

In developing the preparation work further, HM Treasury will:

- continue to consult upon and develop the communications strategy;
- undertake further work on the specific needs of vulnerable groups, through a new working group;
- work with stakeholders to ensure coordination across the communications plans of central and local government, private and voluntary sector organisations.

Planning Checklist:

- Ensure communications are a key part of planning in all business areas.
- Devise communications plans that dovetail with national plans.
- Identify key stakeholder groups, communication channels, key relationships and interdependencies and the needs of vulnerable groups.

Annex A: Draft public sector consumer code of conduct

Overall Aim

To ensure that citizens 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 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?

1. Up to T (before joining EMU)

- 1.1 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 both to cash payments and non-cash payments. Prices would continue to be displayed in sterling.
- 1.2 Service providers may 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.

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

- 2.1 From at least four months before E day, euro price information should be shown alongside sterling. Prices should be converted at the official six-figure conversion rate. 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.
- 2.2 Service providers would continue to be under no obligation to accept euro cash. If they did so, they could continue to apply a handling charge, but the terms must be made clear at the point of transaction.
- 2.3 Electronic euro payments 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

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customers with sterling accounts. There would be no additional charge and the same clearing period.

- 2.4 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.
- 2.5 If change were given for a euro transaction, it could be either in euro or sterling to the legally equivalent value.
- 2.6 From at least four months before E day, where it is customary to issue a receipt for a service, this should show both the sterling and euro equivalent prices if the issuing equipment was capable of doing so. If that was not technically feasible, the price shown should continue to be in sterling until E day and in euro thereafter.
- 2.7 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.

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

- 3.1 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.
- 3.2 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.
- 3.3 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.
- 3.4 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 £1 bought 60 minutes of parking time, €1 might buy a different number of minutes, so that the price per hour would be the same in both currencies).
- 3.5 Change tendered in cash transactions for services should be in euro only.

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- 3.6 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.

4 Throughout a changeover

- 4.1 The needs of vulnerable groups, such as the elderly, 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.
- 4.2 All staff dealing directly with the public should be fully trained and able to give straightforward and relevant information about services during a changeover.
- 4.3 The consumer code euro logo would be displayed at all points of transaction providing a customer service contact number for euro enquiries.

Annex B: PUBLIC TRANSPORT OPERATORS: CODE OF BEST PRACTICE FOR A EURO CHANGEOVER

Overall Aim

To ensure that customers can be confident that they will be treated fairly by all public transport operators as a result of the changeover from sterling to euro. Passengers would be provided with adequate, targeted and easily understood information to help them through the changeover, and a contact point if they felt that an operator was not acting in accordance with the code.

The details below cover minimum standards which would be met by all public transport operators who adopt the code. It is recognised that some companies would wish to go further and provide additional or earlier euro facilities.

- 1. Before the introduction of euro notes and coins into the UK (i.e. before E day)**
 - 1.1 Operators would accept payment in sterling until E day for either cash payment or, where this is currently possible, non-cash payment. Prices would continue to be specified in sterling. Where prices are currently displayed, including in information and promotional materials, they would also be displayed in euro from a minimum of four months before E day, at least until the end of the dual circulation period. Where prices are not currently displayed, operators would provide simple means of conversion at the point of sale. The dual display of prices would conform to the nationally published guidelines, and be subject to independent verification by the relevant consumer bodies. For pricing on the face of tickets, paragraph 1.8 applies.
 - 1.2 Operators may also choose to accept payment in euro by any method, but would be under no obligation to do so. Prior to E day cash payment in euro notes and coins would not be legal tender and therefore there would be no requirement for transport operators to accept them, although they would be able to if they wish. Operators may refuse to accept mixed payments (e.g. some sterling cash and some euro cash) for a transaction.
 - 1.3 After fixing of the conversion rate, any sterling prices for which euro payment is accepted would be converted to euro using the fixed conversion rate of €1 = [£x.yz], rounded to two decimal places (to the nearest cent) in accordance with the conversion and rounding rules (set out in Council Regulation (EC) No. 1103/97 of 17th June 1997). If the transport operator's bankers imposed a handling charge for accepting euro it could pass this on to customers. No other charges may be added. Any such handling charge would be clearly publicised at the point of sale.
 - 1.4 Operators would not be obliged to give change for euro cash payment. If change were given, it could be either in euro or sterling. If in sterling, the amount of change given should be no less than the euro equivalent calculated as above.
 - 1.5 As soon as an operator chooses to accept any form of euro payment (and preferably as soon as the conversion rate is fixed, if this is earlier), notices

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should be displayed at all the operator's own ticket outlets (including websites for internet sales and on vehicles where fares can be paid, including taxis, and at smartcard stored value 'top-up' machines (see section 4)) to indicate which forms of payment (if any) would be accepted in euro, and from what date. This should display the exchange rate used and any handling charges. If providers were to refuse to give change on euro cash payments, this also would be included in any notices. The same information should be included in any fares related literature made available to the public by the operator.

- 1.6 From at least one month before E day notices would be displayed at all these places to explain arrangements for the transition to euro-only payment after E day.
- 1.7 For tickets sold by third parties, acceptance of euro would be at the discretion of the selling organisation but, if it were accepted, the same conditions would apply for exchange rates, handling charges and publicity as at the operator's own outlets.
- 1.8 Where it is customary to print the fare paid on a ticket, this should show both the sterling and euro equivalent prices if the ticket issuing equipment is capable of doing so. If that is not technically feasible, the price shown should continue to be in sterling until E day.
- 1.9 The euro € sign or currency indicator EUR should precede the euro price (e.g. €7.25 or EUR 7.25) wherever possible.
- 1.10 Taxi fare meters may be converted to display charges in euro up to four months prior to E day. In all cases where such meters were converted, charges would be made in accordance with paragraphs 1.3 and 1.4 above. The vehicles would display look-up tables showing the sterling and euro equivalent charges, and/or provide passengers with this information on printed leaflets. Vehicles operating sterling meters should also display similar information from at least four months before E day. The fixed euro / sterling exchange rate would also be shown on these notices and leaflets.
- 1.11 Transport operators may wish to provide further information explaining the changeover timetable, method of conversion to the euro, and the payment options available to all customers.

2. After the introduction of euro notes and coins in the UK (i.e. from E day)

- 2.1 From E day prices would be specified in euro. Wherever prices are displayed now, including information and promotional materials (except on tickets, where paragraph 2.12 would apply), sterling equivalent prices would also be displayed until the end of the dual circulation period when sterling notes and coins cease to be legal tender (two months after E day).
- 2.2 For payment in cash, transport operators should, where possible, accept either sterling or euro until the end of the dual circulation period. Where payment was accepted in sterling, the fixed conversion rate should be applied as specified in paragraph 1.3. No handling charges may be added.

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- 2.3 Individual customer operated ticket vending machines would not need to accept dual currencies. 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 may still have some machines accepting sterling only (but they should be converted to euro as soon as possible) and these would be similarly clearly marked to indicate that they are sterling machines.
- 2.4 Some machines may be converted to accept euro instead of sterling shortly before E day, so long as cash payment in sterling could still be accepted in other machines or at ticket office windows (at or near the same location), or on board trains. Alternatively, converted machines could remain out of service until E day.
- 2.5 The aim of all transport operators would be to minimise the inconvenience to customers. In all cases clear and up-to-date publicity would be displayed at all locations indicating where cash payment could be made in each currency.
- 2.6 Where change is given it should be in euro only and the amount given would be no less than the difference between the euro equivalent of the sterling amount tendered (calculated as specified in paragraph 1.3 above) and the published euro price.
- 2.7 Where bus and light rail operators currently give change for sterling cash payment, it is desirable that they would continue to do so for payment in euro. Any permanent or temporary alterations to operators' policies on giving change should be fully publicised in advance at stops and on vehicles.
- 2.8 Operators may refuse to accept mixed payments (e.g. some sterling cash and some euro cash) for a transaction.
- 2.9 For fares collected on-vehicle, operators may choose to refuse cash payment in sterling from a date following E day (but before the end of the dual circulation period) if they would face significant operational difficulties arising from accepting payment in both sterling and euro. For example, experiencing significant delays in boarding times and consequent timetable disruption (for pay as you board services) or insufficient inter-station times for all fares to be collected on frequently stopping train services. In these circumstances there would be clear and comprehensive publicity to inform passengers well in advance that such a policy would be adopted and the date from which it would apply.
- 2.10 From E day all non-cash transactions should be in euro only. *[But operators should accept company cheques made out in sterling which pre-date E day].*
- 2.11 Full publicity concerning the transition arrangements should be displayed at all points of sale at least until the end of the dual circulation period.
- 2.12 From E day, and for the length of the dual circulation period, where it is technically feasible there should continue to be dual display of the euro and sterling prices on tickets, the latter calculated as specified in paragraph 1.3 above. Where dual display is not possible, tickets should be printed with the price shown in euro only, using the euro € glyph or EUR currency indicator wherever possible.

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- 2.13 Taxi fare meters not already converted to operate in euro would be so converted by the end of the dual circulation period. All taxis, whether with meters operating in euro or in sterling, would either display the euro / sterling look-up tables or provide passengers with leaflets with this information (as in paragraph 1.10 above) until the end of the dual circulation period.
- 2.14 Further information explaining the remaining changeover timetable, the method of conversion to the euro, and the payment arrangements should be made available to all customers.

3. Redenomination and smoothing

- 3.1 Where, for operational reasons (e.g. for coin acceptance in customer operated ticket machines), it would not be operationally practical for the exact equivalent of the sterling price to be charged in euro, it would be necessary for the new amount to be 'smoothed' in euro. When this happens all operators should either endeavour to limit the overall effect to being revenue neutral or combine the conversion with a suitably publicised general price revision.
- 3.2 If the former approach is adopted amounts should only be smoothed to the minimum extent necessary for operational reasons (e.g. 5 cents or 10 cents) for ticket issuing equipment to be able to function in euro.
- 3.3 Transport operators should, where practical, aim to achieve a neutral revenue impact within ticket types (e.g. a reduction in the average season ticket price should not be used to balance an increase in the average ordinary single or return fare), but it is recognised that for National Rail there are "fares baskets" in operation.
- 3.4 If conversion is combined with a general fare revision this revision should be in accordance with any regulations and restrictions applying to the operator's price changes (such as SRA fares regulation of Train Operating Companies' prices or Transport for London's control of licenced taxi tariffs in London by means of Cab Orders).
- 3.5 In this case, all publicity relating to the conversion would give equal prominence to the fact that average prices are being changed, and would indicate the percentage change in the average fare. Where appropriate operators may also wish to display the old and new prices, with percentage change, for a selection of the most popular fares.

4. Smartcard ticketing

- 4.1 Stored value smartcards for use on public transport are expected to be widely available by the time of a euro conversion. Systems are still being developed and technical specifications are likely to differ between operators but this does not affect the principles which should be common to all smartcard systems, as listed below.
- 4.2 Entry to or exit from a station or public transport vehicle would not be prevented because the credit balance on the card was held in euro and the reader operated in sterling, or vice versa. Full publicity would be displayed at

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the point of use if passengers would be restricted in the specific gate or reading device they can use because of the currency held on their card.

- 4.3 If value could be added to a smartcard by cash payment, then this should be accepted in sterling until the end of the dual circulation period, regardless of the currency held on the card. (This does not preclude accepting euro as well.)
- 4.4 If value could be added to a smartcard by cash payment then this should be accepted in euro from E day, regardless of the currency held on the card. (This does not preclude accepting sterling as well.)
- 4.5 If value could be added to a smartcard by electronic payment then, where possible, it should be accepted in the currency of the account from which it is drawn.
- 4.6 If value could be added to a smartcard by electronic payment, then this should be accepted in euro from E day, regardless of the currency held on the card.
- 4.7 If conversion between euro and sterling is required to add or subtract stored value to or from the card it would be at the fixed conversion rate (or to the passenger's advantage) without commission or handling charge.
- 4.8 As a minimum, displays on readers and 'top-up' machines (where relevant) should show fares charged, remaining value and amount to be added in the currency of the card presented, so long as the approved currency symbol is used.
- 4.9 Where possible, readers and 'top-up' machines (where relevant) should display both sterling and euro equivalents at least from four months before E day or the time that euro payment is first accepted, whichever is sooner, until sterling has been completely withdrawn. If this is not possible, then conversion charts should be displayed prominently nearby.

5. Throughout the transition

- 5.1 The needs of vulnerable groups, such as the elderly, the visually and hearing impaired and those with learning difficulties, should be taken into account.
- 5.2 All retailing staff dealing directly with the public should be fully trained and able to give straightforward and relevant information about their company's and that sector (e.g. National Rail) of the transport industry's approach to the euro changeover.
- 5.3 Operators should, as far as reasonably practicable, maximise the number of passenger operated ticket vending machines available and ticket office sales points open during the cash changeover period.
- 5.4 Passengers would be given a well publicised point of contact (which may be different for each operator or for different types of transport service) if they feel that an operator who has adopted this Code is not acting in conformity with the Code.

Annex C: Bibliography and useful web-sites

Publications

Third Outline National Changeover Plan (www.euro.gov.uk/changeover.asp)
Euro Compatibility – A Technical Guide for Managers in Central Government
(<http://www.euro.gov.uk/publications/EuroCompatibility.pdf>)
Sixth Report on Euro Preparations (<http://www.euro.gov.uk/publications/EPR6.pdf>)
Second Outline National Changeover Plan
(<http://www.euro.gov.uk/publications/oncop2.pdf>)

For more details of banks' euro transition services see the British Bankers' Association guidance document 'The UK Banking Industry Outline Euro Blueprint'. An executive summary is available at
<http://www.apacs.org.uk/downloads/euroblueexecsum.PDF>

Useful Web-sites

The Government's Euro Information Web-site (www.euro.gov.uk)

HM Treasury (www.hm-treasury.gov.uk)
Office of the Deputy Prime Minister (www.odpm.gov.uk)
Department of Trade & Industry (www.dti.gov.uk)

Scottish Executive (www.scotland.gov.uk)
Welsh Assembly (www.wales.gov.uk)
Northern Ireland Executive (www.northernireland.gov.uk)

Local Government Association (www.lga.gov.uk)
The Convention of Scottish Local Authorities (COSLA) (www.cosla.gov.uk)
Welsh Local Government Association (www.wlga.gov.uk)
Northern Ireland Local Government Association (www.nilga.org)

Audit Commission (www.audit-commission.gov.uk)
Improvement and Development Agency (www.idea.gov.uk)
Office of Government Commerce (www.ogc.gov.uk)
4ps (www.4ps.gov.uk)
CIPFA (www.cipfa.org.uk)

Annex D: Planning Checklist

Initial Planning

- Identify key business areas and policies that might be affected by a changeover.
- Establish a programme management structure.
- Resolve key business issues that would affect the overall corporate changeover strategy for a changeover as well as individual business areas.
- Develop a changeover plan.

Transition Services

- Through consultation with relevant stakeholders identify any transition services that would be provided.
- Ensure that other organisations' transition plans are factored into corporate strategy.

Training Issues

- Ensure training considerations are factored into changeover plans.

Cash Changeover Issues

- Identify all services that involve, or could involve cash payments as well as smoothing issues.
- Discuss potential requirements with vending industry representatives.
- Consider staff training issues.

Consumer Issues

- Ensure the principles for the consumer code and the implications of the Draft Public Sector Consumer Code of Conduct are factored into planning considerations.
- Ensure dual display requirements are fully considered and incorporated into plans.
- Consider how local trading standards offices and consumer support networks could best help protect consumers.

Procurement

- Ensure systems planning follows business needs.
- Consider OGC Gateway Reviews as part of overall project planning.
- Engage with other authorities and suppliers to ascertain IT conversion needs
- Consider innovative approaches to procurements.

Conversion and Rounding Issues

- Ensure key business areas are aware of conversion and rounding rules.
- Consider implications of vertical rounding and factor this into communication plans.

Smoothing

- Identify amounts that might require smoothing, with the aim of keeping this to a minimum.
- Consider how smoothing might be achieved, noting that it ought to be in the citizen's favour.
- Consider using "rough" sterling amounts for a period of time.
- Ensure technical plans are in place to deal with smoothing issues (e.g. car parking meters, IT systems changes).
- Factor smoothing considerations into communication plans.

Stored Data

- Consider areas where there would be a business case for conversion of stored data.
- Using best practice guidelines, make appropriate plans for conversion.

IT Planning

- Having considered business requirements, make an inventory of systems that might be affected by a changeover.
- Develop user requirements for each system, followed by technical solutions and project plans.
- Determine overall strategy for systems conversion, i.e. phased conversion or “big bang”.

Communications

- Ensure communications are a key part of planning in all business areas.
- Devise communications plans that dovetail with national plans.
- Identify key stakeholder groups, communication channels, key relationships and interdependencies and the needs of vulnerable groups.

Annex E: Glossary

	Definition
BACS	BACS is the UK's automated clearing house, processing electronic financial systems. It runs two of the major payment systems, direct debit and direct credit.
Base currency	The currency in which an organisation prepares its accounts and operates most financial transactions.
Base currency conversion	The process of converting the internal operating currency of an organisation from legacy currency to euro.
Big Bang	Conversion from legacy currency to euro on a single date.
Cash changeover	The process of changing notes and coins from sterling to euro.
CHAPS	Clearing House Automated Payments System. CHAPS provides for same day, real time payments.
Consumer Code	A voluntary code of practice designed to promote best practice during a changeover. There would be different codes for each main sector. Consumer codes cover such things as dual display of prices, rounding and smoothing, and meeting the needs of vulnerable groups.
COSLA	Convention of Scottish Local Authorities.
D	Decision. The Government's decision on EMU membership.
Dehoarding	The process of collecting and returning to circulation, notes and, in particular, coins that have been saved or accumulated by citizens.
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.
ECB	European Central Bank.
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.
EU	European Union.
EUR	The currency indicator for euro.
Euro	The common currency of the euro area.
Euro compatibility	A term used to signal 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.
IdeA	Improvement and Development Agency.
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.

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Legacy currency	The former national currency of a country that has adopted the euro.
Legal tender	Legal tender is not a means of payment that must be accepted by the parties to a transaction, but a legally defined means of payment that should not be refused by a creditor in satisfaction of a debt.
LGA	Local Government Association.
NILGA	Northern Ireland Local Government Association.
ODPM	Office of the Deputy Prime Minister.
OGC	Office of Government Commerce.
ONS	Office for National Statistics.
R	Referendum. The date that would be selected to seek views of UK citizens on whether the UK should join EMU.
Redenomination Regulators	Conversion of an amount of money from one country to another. Those with responsibility for ensuring that legal requirements are met, and that standards of best practice are set and upheld.
Rounding	Part of the process of converting legacy currency to euro. There are strict rules about how this must be done. European Union Regulations state that currency amounts must be converted using the fixed conversion rate of six significant figures. Calculations must be made EUR 1: to national currency unit. Inverse rates must not be used. The amount in euro must then be rounded to the nearest euro cent: <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. The conversion rate must never be rounded.
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.
Scriptural amounts	Electronic payment transactions, such as direct debits, credit or debit card payments, BACS and CHAPS payments.
SME	Small- and Medium-sized Enterprise.
Smoothing	The process of changing an awkward number after euro conversion to a more acceptable or memorable number. This could happen, for example, if a computer only accepts numbers without decimal points: a figure in legacy currency which converted to EUR 5.02 could be smoothed to EUR 5.
Stored data	Information held on systems (IT or otherwise) that exists before E day.
T	The date of joining EMU and start of transition period. From T, sterling would become a subset of euro.
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).
WLGA	Welsh Local Government Association.