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# **Supply Estimates**

## **2003-04**

# **Statement of Excesses**

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# **Supply Estimates**

## **2003-04**

**for the year ending 31 March 2004**

# **Statement of Excesses**

*Presented by Command of Her Majesty  
Ordered by the House of Commons to be printed  
22 February 2005*



# Introduction

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1. This Statement of Excesses sets out the amounts of resource and cash that the Government requests Parliament to grant in Excess Votes.
2. Excess Votes are presented if expenditure of resources or cash has exceeded the provision in the Main, Revised and Supplementary Estimates approved by Parliament and authorised in Appropriation Acts.
3. Before any Excess Votes are sought, the resource accounts for each Estimate are prepared by the relevant department. The accounts are examined and certified by the Comptroller and Auditor General and laid before the House of Commons. A report by the Comptroller and Auditor General is made on any such accounts where expenditure of resources or cash exceeds the amounts authorised by Parliament.
4. Parliament votes amounts for Requests for Resources (RfRs) that are net of income that a department may appropriate in aid of such expenditure. It separately limits the amounts of such income that may be so appropriated. Together, these amounts represent the gross provision. Parliament also votes a Net Cash Requirement that is net of receipts arising from such income. An Excess Vote must therefore be sought even where sufficient surplus income and, as necessary, associated cash receipts, are available to be appropriated in aid of excess expenditure. In such cases, the Excess Vote is for only a token sum of £1,000.
5. A Statement of Excesses is normally presented to Parliament in February, some ten months after the end of the financial year to which it relates. Under House of Commons Standing Orders, if the Committee of Public Accounts has reported that it sees no objection to the sums necessary being provided by Excess Vote, the question on the motion to approve them is put without debate. Authorisation of additional resources and issues from the Consolidated Fund in respect of Excess Votes are given legislative authority in the March Consolidated Fund (Appropriation) Act.
6. Part I shows the net total amount of Excess Votes. Part II provides a Statement of Excesses for each Estimate concerned. Part III provides an explanation of the reasons for each excess.

2003-04

**STATEMENT OF EXCESSES**

<b>Part I</b>	<b>Total net resource requirement</b>	<b>£69,497,995.67</b>
	<b>Total net cash requirement</b>	<b>£67,597,194.64</b>

STATEMENT of the amounts required to be voted in order to make good excesses for the year ended 31 March 2004

**Part II** Summary of 2003-04 Statement of Excesses by Department

Request for Resources (RfR) Title	Resources		Cash	
	Excess £	Amount to be voted £	Excess £	Amount to be voted £
<b>Teachers' Pension Scheme</b>				
1 Teachers' pensions				
Excess expenditure	106,821,357.97		67,597,194.64	
Less: (i) Surplus income available to be appropriated as operating appropriations in aid	<u>37,324,362.30</u>	69,496,995.67	<u>—</u>	67,597,194.64
<b>HM Customs and Excise</b>				
1 Administering the indirect tax and customs control systems fairly and efficiently, and enabling individuals and businesses to understand and comply with their obligations				
<i>Administrative costs of taxation; the operation of customs revenue controls; the provision of trade information and other customs and excise related services; the regulation of activities of the money laundering regulatory regime; payments in respect of Shipbuilders' Relief and the Customs and Excise National Museum; the provision of resources to police authorities to facilitate the independent investigation of complaints and allegations against departmental staff; and on associated non-cash items<sup>1</sup></i>				
Excess expenditure	167,140.00		—	
Less: (i) Net savings available from within the RfR	<u>166,140.00</u>	1,000.00	—	—
<b>Totals to be voted</b>		<b>69,497,995.67</b>		<b>67,597,194.64</b>

<sup>1</sup> Revised ambit. Parliamentary authority is required to cover expenditure within previously voted resource and cash limits but outside the coverage of the original Estimate.

TREASURY CHAMBERS

STEPHEN TIMMS

February 2005

## Part III Explanations

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### Teachers' Pension Scheme

Excess expenditure over the gross Estimate provision for RfR 1 (Teachers' pensions) amounted to £106,821,357.97 of resources and £67,597,194.64 of cash.

The resource excess of £106,821,357.97 occurred because the Estimate did not allow for the full implications of changes to accounting standards and to Treasury discount rates. 2003-04 was the first financial year in which Financial Reporting Standard 17 (FRS17 – Retirement Benefits) was applied to the Scheme in full. This standard requires the Scheme accounts to include provisions for liabilities in respect of future pensions for both existing Scheme members and those transferring into the Scheme. Because these changes were not fully incorporated into the financial model used to calculate the Scheme's Estimate, the Estimate did not reflect the full liabilities of the Scheme. The model did not provide for an additional liability of £82.4 million for new members transferring into the Scheme, nor for an additional liability of £25 million for existing Scheme members. It also failed to allow for the effect of a change in the discount rate used in the calculation of the provision for premature retirement compensation, leading to a further understatement of £13 million. The overall shortfall in the RfR amounted to £120.4 million. After allowing for savings elsewhere, the Scheme's net resource excess was £106.8 million.

The cash excess of £67,597,194.64 occurred because the Scheme managers, the Department for Education and Skills, did not allow for the repayment of sums due to the Consolidated Fund in determining the Scheme's cash requirements. The Department incorrectly included a balance of £128 million due to the Consolidated Fund in respect of 2002-03 as part of its cash available to meet 2003-04 expenditure. In meeting its liability to the Consolidated Fund, the Scheme incurred a cash excess of £67.6 million.

There was, however, surplus income of classes authorised to be used as operating appropriations in aid amounting to £37,324,362.30. Parliamentary authority is sought to apply the total of this surplus operating appropriations in aid towards meeting the resource excess, leaving additional resources of £69,496,995.67 and additional cash of £67,597,194.64 to be provided by an Excess Vote.

### HM Customs and Excise

Excess expenditure over the gross Estimate provision for RfR 1 (Administering the indirect tax and customs control systems fairly and efficiently, and enabling individuals and businesses to understand and comply with their obligations) amounted to £167,140.00 of resources.

The resource excess occurred because the Department incurred expenditure, which fell outside the ambit of RfR 1. In July 2004, the Department consulted HM Treasury about expenditure in 2002-03, 2003-04 and 2004-05 relating to a criminal investigation by the police. HM Treasury concluded that expenditure of £167,140, in respect of costs incurred between December 2003 and March 2004, after the completion of the court case, was in support of continuing police criminal investigations and therefore fell outside of the ambit of the Department's RfR 1.

There were, however, savings available from within the RfR amounting to £166,140.00. Parliamentary authority is sought to apply these savings towards meeting the excess, leaving a token amount of resources of £1,000.00 to be provided by an Excess Vote. Parliamentary authority is also sought to approve an amended ambit for RfR 1.



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