
HM Treasury

Public Expenditure System

PES (2007) 08

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Secretariat: 020 7270 5525

NOTIFICATION OF NEW AND AMENDED SCOAS ON COINS, INCLUDING NEW SCOA TO RECORD CONSULTANCY EXPENDITURE

Summary

1. The purpose of this PES paper is to inform departments of the following:
 - The introduction of new COINS Standard Chart of Account (SCOA) to record expenditure incurred on consultancy services
 - Changes and amendments to other COINS SCOAs including Central Government transfers, Utilisation of other provisions, current grants, expenditure made to and received from the World Bank and other similar institutions, vehicle excise duty and business rates.

Background

2. Gus O'Donnell's recent letter dated 27 March 2007 to Permanent Secretaries expressed the need for government to exercise greater collective discipline, and be seen to do so, in relation to the use of consultants by the public sector.
3. Departments are also this year required to include information on consultancy spending in Departmental Reports (PES (2006) 18). To support departments in collecting comparable data in future, Treasury has created a new SCOA code on COINS to allow consultancy spending to be separately identified. Treasury may use the information recorded against the new COINS code to provide answers to Parliamentary and public enquiries throughout the year so it is important that data is as accurate as possible. Although there are no plans to publish this information on a consolidated basis at this stage, Treasury ministers may choose to do so in the future.

Timetable

4. With effect from 2007-08, expenditure incurred on consultancy and professional services, as defined by the Professional Services Forum attached as [Annex A](#), should be recorded on the consultancy SCOA. The remaining expenditure incurred on goods and services and contract and agency staff should continue to be recorded in the normal way on the existing SCOAs. The Programme Object that is currently used to record departmental expenditure on goods and services should also be used for the new Consultancy SCOAs. Please note back data are not required so there is no requirement to amend historical data.
5. Departments should not submit any changes to plan years until advised to do so following the outcome of the Comprehensive Spending Review (CSR).

Treatment on COINS

6. [Annex B](#) provides details of the new SCOA codes and the amendments made to the alias of the existing SCOAs which hereto had been used to record all such expenditure.

Action

7. Departments should commence the recording of expenditure incurred on consultancy services with effect from 2007-08.

NEW SCOAS

8. The following new SCOAs have been created:
- [Central government transfers](#)
 - [Utilisation of other provisions](#)
 - [Current grants](#)
 - [World bank data](#)
 - [Other new SCOAs](#)
9. [Annex C](#) contains further details of these and other newly created SCOAs.

Queries

10. If you have any queries regarding the content of this PES paper please contact:

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COINS Operations Issues			Coins Operations
COINS technical issues	COINS Help Desk	0207 270 4443	COINS System Maintenance
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General

11. Electronic versions of PES papers issued since November 1999 may be found on the Treasury's website:
http://www.hm-treasury.gsi.gov.uk/psd/pes_papers/pespaper_date_index.htm
The PES secretariat on 020 7270 5525 can supply further information on PES papers.

PES (2007) 08 Annex A**REPORTING PROFESSIONAL SERVICES EXPENDITURE****Distinctions and Definitions**

A1. Agreed Purpose of Definitions

The Professional Services Forum agreed that a common understanding of the categories of consultancy covered by the term 'professional services' and the types of assignments therein, could serve the following purposes:

A1.1. To enable monitoring/declaration of expenditure on types of services which in turn:

- Informs development of internal capability/capacity
- Informs procurement strategy and process e.g. for setting up framework contracts
- Facilitates collaboration between departments
- Identifies under- or over-capacity in industry and so helps it plan
- Improves public perception by helping the public to understand where government money is being spent and how it is adding value to public services

A1.2. To allow departments to respond consistently to PQs in future:

A1.3. To facilitate development of best practice guidance/models to fit each category of service, e.g.:

- Specifications
- Terms & conditions
- Liability limits
- Evaluation criteria – including experience and qualifications
- Incentives
- Guidance for managing contracts
- Costing – whole life
- Scope for skills transfer and means
- Performance measurement

A1.4. To establish a common terminology for definition of requirements which will aid both customers and suppliers

A1.5. To link the definitions to processes/controls – e.g. involvement of procurement professionals, seeking ministerial approval etc.

A2. Agreed Definition of 'Professional Services'

A2.1. The Professional Services Forum recognised that Professional Services cover a vast range of activities and specialist disciplines, but also that the National Audit Office in its 2001 report had focused on certain services, which, because of demand across departments and the number of suppliers, have the greatest potential to secure improvements in value for money.

A2.2. Therefore the sub-group proposes that within government, 'Professional Services' would cover the following categories largely based on the NAO focus, to which the sub-group has added IT Consultancy and Property Services/Estates.

- General Management Consultancy
- Legal
- Human Resources
- Financial
- IT Consultancy
- Property Services/Estates

A2.3. IS/IT and estates/property services are two major costs in most organisations and

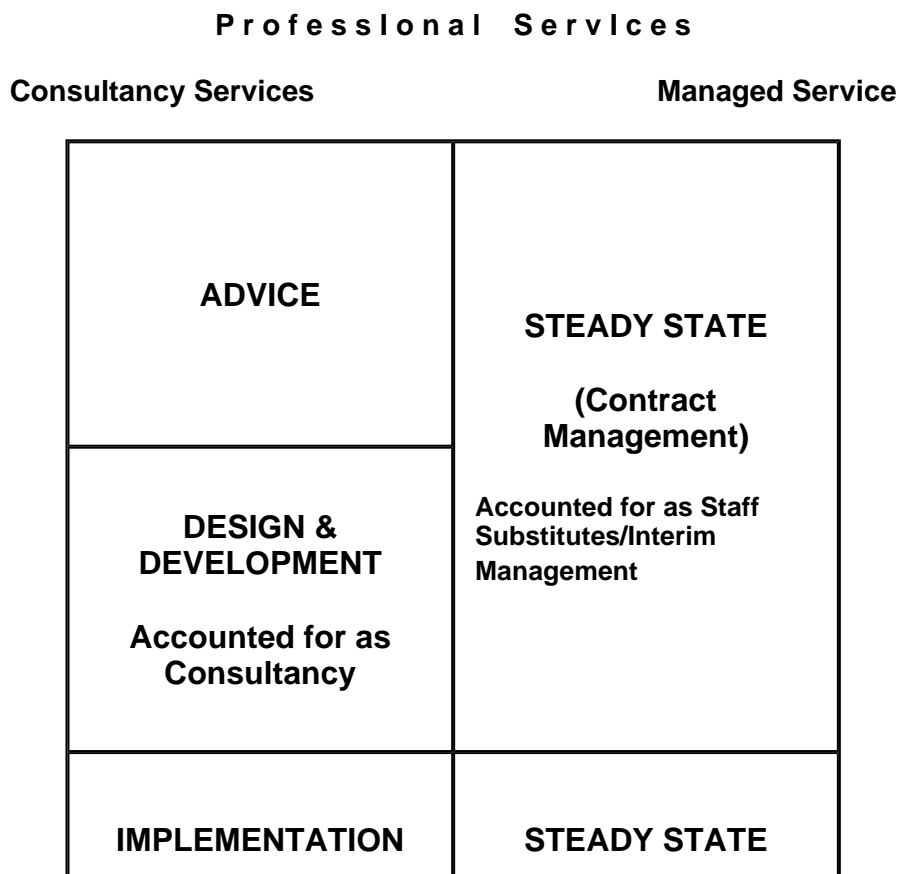
therefore possible areas for performance improvement/savings.

Also, Government always seems to make a special case for IS/IT but it was not felt to be any more "special" than Estates and one can draw a number of parallels between the two - departments usually define a strategic approach for both property and IT acquisition and both can represent a major chunk of annual expenditure. So if we are going to separate IS/IT from the broad "Management Consultancy" group, we should also separate Estates & Property Services.

A3. Agreed Distinctions for Reporting Expenditure

- A3.1.** The Professional Services Forum agreed a distinction between time limited/ad hoc consultancy assignments and those related to steady state/operations when it comes to trying to codify and report expenditure on 'consultancy services'.
- A3.2.** Therefore Advisory, Design & Developmental and Implementation consultancy services are in scope when reporting 'management consultancy' costs for parliamentary questions etc.
- A3.3.** The use of consultants by the client side when a system/initiative/programme has passed into an operational/steady state stage as part of what might be described as the contract management team, or **any other role** where an external resource engaged to do a job that, ideally, we would engage a civil servant to do would be viewed as staff substitutes/interim management, and should be reported accordingly.
- A3.4.** However, consultancy as part of an ongoing contracted out service whose costs would be bundled into the running costs of the service is out of scope. These costs are reported as part of the cost of the contracted out service.

Please find that this view is reflected in the diagram below.



<p>(Commissioning)</p> <p>Accounted for as Consultancy</p>	<p>(Contractor/Service provision)</p> <p>Accounted for as service running costs</p>
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PES (2007) 08 Annex B

- B1. The purpose of this document is to identify the action departments need to take to implement the changes to their recording of expenditure relating to consultancy services for 2007-08, and to give guidance on the new SCOA that has been created to achieve this. Departments should make these changes immediately for forecast figures.
- B2. These changes are policy changes and therefore back data are not required so there is no need to change neither provisional outturn nor historical data: 2002-03 to 2005-06.

Name	Alias	Accounts CAP/CUR	Budge CAP/C
51401400	Purchase of Consultancy Services	A-CUR	B-CON
51403000	Purchase of Goods & Services (excluding Consultancy Services)	A-CUR	B-CON
51404000	Contract and Agency Staff (excluding Consultants)	A-CUR	B-CON

- B3. The new SCOA is highlighted in the table above. The aliases of the other two SCOAs have been amended to show that consultancy services and consultant fees should no longer be recorded under these SCOAs.
- B4. This change will not affect National Accounts Aggregates published by ONS.
- B5. The procurement SCOAs are currently under review, so further changes are likely. Any such changes will be communicated accordingly.
- B6. Certain expenditure on consultants is capitalised, in particular for capital IT projects. Such expenditure should continue to be reported against capital SCOAs and is unaffected by the changes in this paper.

PES (2007) 08 Annex C

C1. Central Government Transfers

Public Expenditure Statistical Analysis 2007 (PESA) presents a number of analyses e.g. Budgets by Economic Category of Spending, and sector which should capture central government transfers not related to NDPB spending. These central government transfers include Local Area Agreements (LAAs), some of which are capital grants. This incorporates departmental transfers made to DCLG, which is utilised to give grants to Local Authorities. In order to be picked up

correctly by PESA, such expenditure requires a National Accounts Code (NAC) of W16 - Grant-in-aid to other bodies in the central government sector. The existing SCOA linked to NAC W16 was tagged to an inappropriate budget code, so in order to properly capture this spending the following four SCOAs have been created on COINS.

Departments should use the SCOAS below with immediate effect for Forecast Outturn and Plans figures to correctly classify central government transfers, in particular LAAs, from 2007-08. Back data are not required, so there is no need to amend provisional outturn or historical data: 2002-03 to 2005-06.

Name	Alias	Accounts CAP/CUR
41209510	Central Government Transfers (not relating to NDPB spending) – current receipt	A-CUR
41209511	Central Government Transfers (not relating to NDPB spending) – capital receipt	A-CAP
51620360	Central Government Transfers (not relating to NDPB spending) – current payment	A-CUR
51616100	Central Government Transfers (not relating to NDPB spending) – capital payment	A-CAP

C2. Utilisation of other Provision

Following a brief review of the provisions SCOAs, it was discovered that SCOAs did not exist to capture the utilisation of provisions relating to grants given to various bodies. Consequently the four SCOAs below have been created. Departments should use these SCOAs to record the utilisation of provisions with effect from 2007-08. Back data are not required, so there is no need to amend historical data.

Name	Alias	Accounts CAP/CUR
96533100	Utilisation of other Provisions – Grants to overseas (CUR)	A-CUR
96531200	Utilisation of other Provisions – Grants to overseas (CAPITAL)	A-CAP
96531110	Utilisation of other Provisions – Grants to people and NPISH (CAPITAL)	A-CAP
96531111	Utilisation of other Provisions – Grants to PCs (CAPITAL)	A-CAP

C3. Current grants

National Accounts require a recipient analysis of current grants to the private sector. They need to differentiate between Social Security benefits and Social Assistance benefits.

Social Security benefits are those payable to households by social security funds. Departments should use this SCOA to record current grants to persons paid from

- The National Insurance Fund (Accounting Authority 105);
- The Redundancy Fund (Accounting Authority 106); or
- The Social Fund (Accounting Authority 107)

Social Assistance benefits are those benefits paid to households that are not made under a social insurance scheme. Departments should use this SCOA to record current grants to persons not paid from one of the above Funds.

After examining the SCOAs, two new SCOAs were created to record the utilisation of provisions in relation to Social Assistance benefits and current grants to the private sector and NPISH. The aliases of existing SCOAs have been amended to aid departments to correctly record the breakdown of these current grants. In the following the table the amendments to existing SCOAs are highlighted in yellow.

These changes will affect only the economic breakdown of the data. Such expenditure should be recorded on the new and amended SCOAs with immediate effect. Back data are not required, so amendments to historical data are not required.

Name	Alias	Accounts CAP/CUR
96533200	Utilisation of Other Provision – Social Security benefits	A-CUR
96533300	Utilisation of Other Provision – Current Grants to private sector – NPISH	A-CUR
51406000	Social Security Benefits	A-CUR
51406100	Social Assistance Benefits	A-CUR
51620400	Current Grants to private sector - NPISH	A-CUR
51645000	EU current grants to the private sector - NPISH	
96533000	Utilisation of Other Provision – Social Assistance benefits	A-CUR
96122000	Do not use (formerly Grants to NPISH (CUR) – Recipient analysis)	

C4. World Bank data

Payments made to and income received from the World Bank and International Development Associations (IDAs) are treated as financial transactions by the Office for National Statistics (ONS). ONS classifies this expenditure as a purchase or sale of equity in the bank concerned. Therefore to correctly record this expenditure in the National Accounts, ONS require this expenditure to have a NAC code of H50 – Net Lending and Investment Abroad, signifying that this is a financial transaction and not a grant.

However, the National Audit Office (NAO) classify this expenditure within government accounts as grants, recording the expenditure at the point the commitment is made. This treatment, therefore, scores on the Operational Costs Statement of the relevant department.

Budgets follow the ONS treatment, so the expenditure is recorded in capital DEL, so that budgets align with the National Accounts.

Therefore, in order to correctly capture these data, a SCOA would need to have a B-CAP tag and a NAC code of H50 and also affect the balance sheet. As such a SCOA did not exist, the two new SCOAs below were created. These should be utilised to correctly capture payments made to and income received from the World Bank and other similar organisations. Treasury would expect that these SCOAs will primarily be used by DfID.

Departments should use the above SCOAS with immediate effect for Forecast Outturn and Plans figures to correctly classify this expenditure and income. Back data are not required, so there is no need to amend provisional outturn nor historical data: 2002-03 to 2005-06.

Name	Alias	Accounts CAP/CUR	E C
41207100	Repayments (equity) from World Bank and other similar institutions		B
51401200	Payments (equity) to World Bank and other similar institutions	A-FIN	B

C5. Other new SCOAs

Vehicle Excise Duty

Following a request received from the Office for National Statistics (ONS), two new SCOAs have been created to capture income received in relation to Commercial and Non-commercial Vehicle Excise duty. This will only affect the economic breakdown of the data. The new SCOAs should be used to record such income with immediate effect. Back data are not required, so there is no need to amend provisional outturn or historical data: 2002-03 to 2005-06.

Business Rates

There are instances where a County Council may pay business rates for property that it occupies in the city to its City Council. The County Council would recognise the expenditure as a counter party expense with the City Council being the counter party. Yet the City Council would not recognise the business rates as income, thereby leading to a mismatch. In order to keep track of such mismatches in expenditure and income, departments should record business rates expenditure on the SCOA below with immediate effect.

Back data are not required, so again there is no requirement to amend provisional outturn or historical data: 2002-03 to 2005-06.

Name	Alias	Accounts CAP/CUR	B C
41141100	Commercial Vehicle Excise duty		B
41141200	Non-commercial Vehicle Excise duty		B
51401300	Business Rates		B