



HM TREASURY

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DAO(GEN) 04/05

Dear Accounting Officer

18 March 2005

INCREASES IN PARLIAMENTARY REPORTING THRESHOLDS

This letter advises departments of increased thresholds for reporting certain expenditure to Parliament. It also sets the increase in the threshold for resting expenditure on new services on the authority of the Appropriation Act. The increases in these thresholds take effect from April 2005 and will be included in the next revision of *Government Accounting*. Three related Dear Accounting Office letters (DAO(GEN)8/99, DAO(GEN)10/00 and DAO(GEN)19/02) are now withdrawn.

action

2. Departments are asked to:
 - o ensure that they use the revised thresholds for reporting expenditure on gifts, contingent liabilities, losses and special payments to Parliament and resting expenditure solely on the Appropriation Act;
 - o use the new guidance on reporting gifts (at annex B) – this will be included in the next revision of *Government Accounting* ;
 - o consider whether they want to seek revisions to their delegated authorities for these types of expenditure;
 - o make the necessary changes with effect from April 2005.

contacts

3. Please address detailed enquiries about the content of this letter to:
 - o *new services rules, powers to incur expenditure and general advice on reporting expenditure*; Jim Duncan of the Treasury Officer of Accounts team, at the above address; phone 020 7270 4833; email jim.Duncan@hm-treasury.gov.uk;



- o *specific cases or changes to delegated authorities*: Departments are advised to consult their normal Treasury spending team.

increased thresholds for reporting expenditure to Parliament

4. [Government Accounting](#)¹ advises departments how to report the following where expenditure is above a certain threshold:

- **gifts**: ie resources donated to a third party for no payment or a payment less than its market value; ;
- **losses** eg resources which are being written off;
- **special payments** eg ex-gratia payments including severance payments and payments for maladministration; and
- **contingent liabilities**: ie expenditure which may materialise in the future if a particular event or set of events occur.

5. With the agreement of the Committee of Public Accounts (PAC), the reporting threshold for these types of expenditure will rise from £100,000 to **£250,000** on 1 April 2005. In addition, the PAC also agreed that the thresholds can be increased every five years in line with inflation. The next increase will therefore be in April 2010.

6. Annex A summarises the processes for reporting expenditure of these types.

7. Annex B sets out the changes to *Government Accounting* on reporting gifts. This revision will be included in the next set of published amendments to *Government Accounting*, due out later this year.

delegated limits and Treasury approval of expenditure

8. The Treasury gives departments the authority to enter into commitments and to spend within predefined limits, ie delegated authorities.

Some of these delegations have been set by reference to the reporting thresholds. If departments want to seek increases to their delegated limits, they should approach their usual spending team contacts in the Treasury to agree increases. Such increases are not automatic. For example, some delegated limits for losses and special payments are already set below the current reporting threshold.

9. Departments and their sponsored bodies are reminded that certain expenditure must have Treasury approval even where it is below delegated limits – see *Government Accounting*, paragraph 2.4.4.

¹ gifts: GA chapter 25; contingent liabilities: GA chapter 26; losses and special payments: GA chapter 18. In addition GA annex 12.1 sets out how these types of expenditure should be noted in departmental resource accounts

threshold for resting new services solely on the Appropriation Act

10. [Government Accounting](#) gives general guidance on powers to incur expenditure (chapter 2.2) and on expenditure on new services (chapter 2.3). Departments should normally have specific statutory authority for continuing services and seek authority for the related expenditure in Estimates confirming it in the Appropriation Act.

11. There are certain exceptions to this standard rule. The Appropriation Act may be used as the authority both for the service and the expenditure, for example: the costs of running a department; and continuing expenditure due to the exercise of prerogative powers (ie those which only the Crown can exercise). In addition, expenditure on a new service may also rest on the Appropriation Act, subject to Treasury approval. This latter route should only be used for expenditure which is either expected to last less than two years or which lies below a threshold set by the Treasury (currently set at £900,000).

12. From 1 April this threshold rises to £1.5 million. The limit is to keep in line with inflation, at five year intervals, the next increase being 1 April 2010.

Yours sincerely

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