

HM Treasury

Introduction

1. This Supplementary Estimate is required for the following purposes:

		Amount (£)	
		<u>Increases</u>	<u>Reductions</u>
<u>Changes in resources</u>			
RfR 1: Raising the rate of sustainable growth and achieving rising prosperity and a better quality of life, with economic and employment opportunities for all			
<u>Section</u>	<u>Reason for change</u>		
<u>Changes related to movements in budgets</u>			
<u>Take up of Departmental Unallocated Provision</u>			
A	Take up of Administration DUP of £5,868,000 (near cash £5,795,000, non cash £73,000) comprising £5,385,000 near cash to fund a range of planned activities within administration costs in Section A including £3,000,000 near cash in respect of secondments in, contract and agency staff; £500,000 near cash for consultancy costs; £400,000 near cash for other staff support costs; £300,000 near cash for staff exits; £73,000 non cash to fund increased depreciation; £410,000 near cash to offset a reduction in other current appropriations in aid of £390,000 and £20,000 for an increase in other current spending.	5,868,000	
<u>Changes in Annually Managed Expenditure (AME)</u>			
E	Increase of £8,052,000 in Section E in respect of the cost of capital charge on the Treasury's investment in the Bank of England	8,052,000	
F	To reflect an impairment reversal in a new Section F following the revaluation of the 1 Horse Guards Road building		-13,825,000
<u>Other changes</u>			
<u>Resource transfers to/from another Request for Resources</u>			
A	Transfer from Section B of £532,000 administration costs to fund an increase in the administration costs spending.	532,000	
<u>Increase in resources</u>			
A	An increase in other current resources of £3,400,000 to part fund the loss on disposal of Trevelyan House (£3,400,000 in total) which scores in capital DEL.	3,400,000	
<u>Changes in operating appropriations in aid (fully offset by changes in spending)</u>			
A	An increase in Section A of £14,765,000 spending matched by income mainly to cover the costs of work on Northern Rock and the Poynter Review.	14,765,000	-14,765,000
B	An increase in other current spending of £100,000 by the Debt Management Office offset by an increase in appropriations in aid of £100,000.	100,000	-100,000

B	An increase of £243,000 in administration costs gross spending offset by a matching increase in administration costs appropriations in aid.	243,000	-243,000
<u>Resource transfers within the Request for Resources</u>			
B	A transfer to Section A of £532,000 arising from a net reduction in spending arising from an increase in appropriations in aid of £532,000.		-532,000
<u>Resource transfers to/from another Request for Resources</u>			
B	Transfer of £522,000 other current from RfR 2 Section A to offset an increase in other current spending.	522,000	
		<u>Total</u>	<u>-29,465,000</u>
Total change in resources for RfR1		33,482,000	4,017,000

RfR 2: Cost-effective management of the supply of coins and actions to protect the integrity of coinage

<u>Section</u>	<u>Reason for change</u>	<u>Increases</u>	<u>Reductions</u>
<u>Changes related to movements in budgets</u>			
<u>Take up of Departmental Unallocated Provision</u>			
E	Take up of £103,000 non cash from the Administration DUP to fund the creation of a new Section, E, to cover the cost of capital charge on the manufacturing element of coinage stocks held by the Royal Mint	103,000	
F	Take up of £600,000 near cash from the DUP to finance an awareness campaign about revisions to UK coinage.	600,000	
<u>Changes in Annually Managed Expenditure (AME)</u>			
B	Increase of £2,600,000 in Section B in respect of the cost of capital charge on the Treasury's investment in the Royal Mint	2,600,000	
D	Increase of £293,000 following the creation of a new Section, D, to cover the cost of capital charge on the metal element of coinage stocks held by the Royal Mint	293,000	
<u>Other changes</u>			
<u>Resource transfers to/from another Request for Resources</u>			
A	A reduction in spending on the manufacturing cost of coinage of £522,000 to offset an increase in other current spending in RfR 1.		-522,000
		<u>Total</u>	<u>-522,000</u>
Total change in resources for RfR2		3,596,000	3,074,000

RfR3: Obtaining the best value for money from Government's commercial relationships on a sustainable basis

<u>Section</u>	<u>Reason for change</u>	<u>Increases</u>	<u>Reductions</u>
<u>Other changes</u>			
<u>Increases in spending offset by increases in appropriations in aid</u>			
A	An increase in administration costs spending of £1,349,000 offset by a matching increase in appropriations in aid.	1,349,000	-1,349,000

A	An increase in other current spending of £269,000 offset by an increase in other current appropriations in aid.	269,000	-269,000
	<u>Reclassification of income and token increase</u>		
A	Reclassification of administration budget income of £2,183,000 to other current spending to fund a range of activities including staff exit costs.	2,182,000	-2,181,000
	<u>Total</u>	3,800,000	-3,799,000
	Total change in resources for RfR3		1,000
	Total change in resources for Estimate		7,092,000

2. As a result of the above and non-cash adjustments, there is an increase in the net cash requirement of £11,841,000.

3. Symbols are explained in the Introduction to this booklet.

HM Treasury

Part I

	£
RfR 1: Raising the rate of sustainable growth and achieving rising prosperity and a better quality of life, with economic and employment opportunities for all	4,017,000
RfR 2: Cost-effective management of the supply of coins and actions to protect the integrity of coinage	3,074,000
RfR3: Obtaining the best value for money from Government's commercial relationships on a sustainable basis	1,000
Total additional net resource requirement	7,092,000
Additional net cash requirement	11,841,000

SUPPLEMENTARY amounts required in the year ending 31 March 2008 for expenditure by HM Treasury on:

RfR 1: Raising the rate of sustainable growth and achieving rising prosperity and a better quality of life, with economic and employment opportunities for all

Economic, financial and related administration, including group shared services; grants in aid to four Parliamentary bodies; expenses in connection with honours and dignities; a grant in aid to the Statistics Commission and spending in connection with the establishment of the Statistics Board; expenditure of the Debt Management Office, including administration of carbon dioxide emission reduction schemes; payments under an indemnity guarantee in respect of Paymaster; expenditure on administration of Treasury related bodies; compensation payments arising from gilt administration; cost of capital charges on the Treasury's investment in the Bank of England; payments to other government departments and associated non-cash items.

RfR 2: Cost-effective management of the supply of coins and actions to protect the integrity of coinage

Manufacture, storage and distribution of coinage for use in the United Kingdom; actions to protect the integrity of coinage; and associated non-cash items.

RfR3: Obtaining the best value for money from Government's commercial relationships on a sustainable basis

Administration and other related costs of the Office of Government Commerce and OGC buying.solutions; management and disposal of surplus civil estate; costs and income from investment and loans to OGC buying.solutions; and associated non-cash items.

HM Treasury will account for this Estimate.

Part II: Changes proposed

Resources	Present Net Provision	Change in Gross Provision	Change in A in A	Change in Net Provision	£'000	
					New Net Provision	
RfR 1: Raising the rate of sustainable growth and achieving rising prosperity and a better quality of life, with economic and employment opportunities for all						
Spending in Departmental Expenditure Limits (DEL)						
RfR 1 - A	Core Treasury and group shared services	133,636	24,175	14,375	9,800	143,436
RfR 1 - B	Debt Management Office	10,750	865	875	-10	10,740
Spending in Annually Managed Expenditure (AME)						
RfR 1 - E	Investment in Bank of England	87,198	8,052	-	8,052	95,250
RfR 1 - F	Impairment reversal of fixed assets	-	-13,825	-	-13,825	-13,825
Total RfR 1			19,267	15,250	4,017	
RfR 2: Cost-effective management of the supply of coins and actions to protect the integrity of coinage						
Spending in Departmental Expenditure Limits (DEL)						
RfR 2 - A	UK coinage: manufacturing costs	19,000	-522	-	-522	18,478
Spending in Annually Managed Expenditure (AME)						
RfR 2 - B	UK coinage: investment in the Royal Mint	2,000	2,600	-	2,600	4,600
RfR 2 - D	Cost of capital charge on coinage stocks - metal costs	-	293	-	293	293
Spending in Departmental Expenditure Limits (DEL)						
RfR 2 - E	Cost of capital charge on coinage stocks - manufacturing costs	-	103	-	103	103
RfR 2 - F	Coinage revisions - awareness campaign	-	600	-	600	600
Total RfR 2			3,074	-	3,074	
RfR3: Obtaining the best value for money from Government's commercial relationships on a sustainable basis						
Spending in Departmental Expenditure Limits (DEL)						
RfR 3 - A	Office of Government Commerce	35,628	3,800	3,799	1	35,629
Total RfR 3			3,800	3,799	1	
Total Changes to RfRs			26,141	19,049	7,092	

Capital and Cash	Present Provision	Change in Provision	£000
			New Provision
Total Capital Expenditure	7,200	-	7,200
Non-Operating A in A	-	-	-
Net cash requirement	246,532	11,841	258,373

Part II: Revised subhead detail including additional provision

Resources						Capital		£'000
1	2	3	4	5	6	7	8	
Admin	Other current	Grants	Gross Total	A in A	Net Total	Capital	Non-operating A in A	
RfR 1: Raising the rate of sustainable growth and achieving rising prosperity and a better quality of life, with economic and employment opportunities for all								
169,733	92,459	4,655	266,847	26,285	240,562	7,125	-	
Spending in Departmental Expenditure Limits (DEL)								
<i>Central Government spending</i>								
A Core Treasury and group shared services								
156,383	7,828	-	164,211	20,775	143,436	5,625	-	
B Debt Management Office								
13,350	2,900	-	16,250	5,510	10,740	1,500	-	
C Parliament								
-	-	3,305	3,305	-	3,305	-	-	
D Statistics Commission and Statistics Board								
-	306	1,350	1,656	-	1,656	-	-	
Spending in Annually Managed Expenditure (AME)								
<i>Central Government spending</i>								
E Investment in Bank of England								
-	95,250	-	95,250	-	95,250	-	-	
F Impairment reversal of fixed assets								
-	-13,825	-	-13,825	-	-13,825	-	-	
RfR 2: Cost-effective management of the supply of coins and actions to protect the integrity of coinage								
703	54,371	-	55,074	-	55,074	-	-	
Spending in Departmental Expenditure Limits (DEL)								
<i>Central Government spending</i>								
A UK coinage: manufacturing costs								
-	18,478	-	18,478	-	18,478	-	-	
Spending in Annually Managed Expenditure (AME)								
<i>Central Government spending</i>								
B UK coinage: investment in the Royal Mint								
-	4,600	-	4,600	-	4,600	-	-	
C UK coinage: metal costs								
-	31,000	-	31,000	-	31,000	-	-	
D Cost of capital charge on coinage stocks - metal costs								
-	293	-	293	-	293	-	-	
Spending in Departmental Expenditure Limits (DEL)								
<i>Central Government spending</i>								
E Cost of capital charge on coinage stocks - manufacturing costs								
103	-	-	103	-	103	-	-	
F Coinage revisions - awareness campaign								
600	-	-	600	-	600	-	-	

Part II: Revised subhead detail including additional provision

Resources						Capital		£'000
1	2	3	4	5	6	7	8	
Admin	Other current	Grants	Gross Total	A in A	Net Total	Capital	Non-operating A in A	
RfR3: Obtaining the best value for money from Government's commercial relationships on a sustainable basis								
36,800	12,428	-	49,228	13,599	35,629	75	-	
Spending in Annually Managed Expenditure (AME)								
<i>Central Government spending</i>								
A Office of Government Commerce								
36,800	12,428	-	49,228	13,599	35,629	75	-	
Total for Estimate:								
207,236	159,258	4,655	371,149	39,884	331,265	7,200	-	

Part II: Resource to cash reconciliation

	<u>Present</u>	<u>Increase (+)/ Decrease (-)</u>	<u>£'000</u> <u>Revised</u>
Net Resource Requirement	324,173	7,092	331,265
Voted capital items			
Capital	7,200	-	7,200
<i>Less:</i> Non-operating A in A	-	-	-
Total net voted capital	7,200	-	7,200
Accruals to cash adjustment			
Adjustments to remove non-cash items:			
Cost of Capital charges	-88,897	-11,048	-99,945
Depreciation	-9,539	13,752	4,213
New provisions and adjustments to previous provisions	-2,523	-165	-2,688
Profit/loss on sale of assets	-	-3,400	-3,400
Prior period adjustments	-	-	-
Other non-cash items	-60	-	-60
Increase(+)/decrease (-) in stock	5,000	3,000	8,000
Increase(+)/decrease (-) in debtors	-	-	-
Increase(-)/decrease (+) in creditors	-	-	-
Use of provisions	11,178	2,610	13,788
Total accruals to cash adjustments	-84,841	4,749	-80,092
Excess cash to be CFERd	-	-	-
Net Cash Requirement	246,532	11,841	258,373

Part III: Extra receipts payable to the Consolidated Fund

As in existing provision

Forecast Operating Cost Statement

£'000

2007-08
provision

Net Administration Costs

RfR1	144,958
RfR2	703
RfR3	24,670

Total Net Administration Costs**170,331****Net Programme Costs**

RfR1	32,556
RfR2	54,371
RfR3	10,959
Non-voted expenditure	24,479

Total Net Programme costs**122,365****Total Net Operating Cost****292,696***of which:*

Net Resource Requirement	331,265
Non-voted expenditure	24,479
Consolidated Fund Extra Receipts	-63,048

Resource Budget**311,105**

Notes to the Estimate

Reconciliation of resource expenditure between Estimates, Accounts and Budgets

	£'000
	2007-08 Provision
Net Resource Requirement (Estimates)	331,265
<i>Adjustments to remove:</i>	
provision voted for earlier years	-
<i>Adjustments to additionally include:</i>	
non-voted expenditure in the OCS	24,479
Consolidated Fund extra receipts in the OCS	-63,048
Other adjustments	-
Net Operating Costs (Accounts)	292,696
<i>Adjustments to remove:</i>	
Gains/losses from sale of capital assets	-3,400
Capital grants	-
European Union income related to capital grants	-
voted expenditure outside the budget	-
<i>Adjustments to additionally include:</i>	
other Consolidated Fund Extra Receipts	20,959
Resource consumption of non-departmental public bodies	-
unallocated resource provision	850
Other adjustments	-
Resource Budget (Budget)	311,105
<i>of which:</i>	
Departmental Expenditure Limit (DEL)	231,787
Annually Managed Expenditure (AME)	79,318

Reconciliation of capital expenditure between Estimates and Budgets

	£'000
	2007-08 Provision
Net Voted Capital (Estimates)	7,200
<i>Adjustments to additionally include:</i>	
other Consolidated Fund Extra Receipts	-
capital spending by non departmental public bodies	-
capital grants	-
European Union income related to capital grants	-
supported capital expenditure (revenue)	-
capital spending by levy funded bodies	-
unallocated capital provision	-
Other adjustments	-
Capital Budget (Budget)	7,200
<i>of which:</i>	
Departmental Expenditure Limits (DEL)	7,200
Annually Managed Expenditure (AME)	-

Notes to the Estimate (*continued*)

Explanation of Accounting Officer responsibilities

In accordance with the Government Resources and Accounts Act 2000 the Treasury has made the following Accounting Officer appointments for the Requests for Resources within this Estimate.

Request for Resources 1	Nicholas Macpherson, Permanent Head of the Department
Request for Resources 2	Nicholas Macpherson, Permanent Head of the Department
Request for Resources 3	Nigel Smith, Chief Executive of the Office of Government Commerce

Nicholas Macpherson, as the Principal Accounting Officer (PAO) of HM Treasury has personal responsibility for the proper presentation of the department's resource accounts as prescribed in legislation, or by the Treasury, and their transmission to the Comptroller and Auditor General. The PAO as the permanent head, remains in general overall charge of HM Treasury.

The responsibilities of an Accounting Officer are set out in chapter 3 of Managing Public Money. In essence these responsibilities include a personal responsibility for the propriety and regularity of the public finances for which they are answerable; for keeping of proper accounts; for prudent and economical administration; for the avoidance of waste and extravagance; and for the efficient and effective use of all the available resources. In addition, the Accounting Officer must ensure that there is a sound system of internal control to support the achievement of the organisation's policies, aims, and objectives and should regularly review the effectiveness of that system.

In accordance with Managing Public Money requirements, the relationship between the PAO and the Additional Accounting Officer, and with their Ministers, together with their respective responsibilities, is set out in writing.

Notes to the Estimate (*continued*)

Analysis of operating appropriations in aid (A in A)

	£'000
	2007-08 Provision
RfR 1: Raising the rate of sustainable growth and achieving rising prosperity and a better quality of life, with economic and employment opportunities for all	
Administration	
<i>of which:</i>	24,775
Sale of goods and services	24,775
CFERs	-
Programme	1,510
<i>of which:</i>	
Sale of goods and services	1,510
Interest and dividends	63,048
CFERs	-63,048
Total RfR1	26,285 †
<i>† Amount that may be applied as appropriations in aid in addition to the net total, arising from; recoveries in respect of administration of the Treasury, including charges for courses, services provided by the Economics in Government team and officers loaned to other organisations, including the salary of the UK Executive Director of the International Monetary Fund/International Bank for Reconstruction and Development who is a Treasury employee; charges for services provided by the Government Social Research Unit; income from recovery actions in connection with Barlow Clowes; charges for services to government departments provided under the Financial Management Change agenda; income from fees charged to Foreign Investment Exchange/Clearing Houses; recoveries in respect of Honours and Dignities; income in respect of insurance sponsorship and supervision responsibilities; income due to the Debt Management Office for gilt issuance costs, provision of the Gilt Purchase and Sale Service, data provision, management and administration of certain public and private funds and provision of a lending service to local authorities; administration of Pool Re and other related bodies; European Fast Stream income from Cabinet Office; amounts arising from the sale of shares and debt; income in respect of Northern Rock and reimbursement of costs associated with the Poynter Review.</i>	
RfR3: Obtaining the best value for money from Government's commercial relationships on a sustainable basis	
Administration	12,130
<i>of which:</i>	
Sale of goods and services	12,130
CFERs	-
Programme	1,469
<i>of which:</i>	
Sale of goods and services	-
Interest and dividends	1,469
CFERs	-
Total RfR3	13,599 †
<i>† Amount that may be applied as appropriations in aid in addition to the net total, arising from: income from consultancy and other customer services, hirings of vacant property, charges for users of Whitehall District Heating and Standby Systems, sales of surplus energy and the OGC buying.solutions dividend.</i>	
Total Operating A in A	39,884

Notes to the Estimate (*continued*)

Departmental Expenditure Limits and Administration Budgets

	Change		New DEL		£'000
	Voted	Non-voted	Voted	Non-voted	Total
Resource DEL	6,572	-6,572	210,547	21,240	231,787
<i>of which: †</i>					
Administration budget	3,902	-6,572	170,331	850	171,181
Near-cash in RDEL	6,231	-6,572	198,385	32,418	230,803
Capital ††	-	-	7,200	-	7,200
Less Depreciation †††	-73	-	-9,612	-	-9,612
Total	6,499	-6,572	208,135	21,240	229,375

† The total of 'Administration budget' and 'Near-cash in Resource DEL' figures may well be greater than total resource DEL, due to the definitions overlapping.

†† Capital DEL includes items treated as resource in Estimates and accounts but which are treated as Capital DEL in budgets.

††† Depreciation, which forms part of resource DEL, is excluded from total DEL since capital DEL includes capital spending and to include depreciation of those assets would lead to double counting.

Cash which may be retained to offset expenditure

	£'000
Cash which may be retained by the department to offset expenditure in the year due to its relationship with income (operating and non-operating) that has been or will be appropriated in aid	39,884

Grants in aid

RfR/Section	Body		£'000
RfR1 - C	The Commonwealth Parliamentary Association	◆	1,808
RfR1 - C	The British-American Parliamentary Group	◆	101
RfR1 - C	The Inter-Parliamentary Union	◆	1,192
RfR1 - C	The British-Irish Parliamentary Union	◆	204
RfR 1 D	The Statistics Commission	◆	1,350

Notes to the Estimate (*continued*)

Contingent liabilities

Nature of Liability	£ '000
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As at 31 March 2007, the following liabilities fell to be met from the Department's Estimate:

Non-Statutory

£'000

HM Treasury has announced guarantee arrangements in respect of retail and uncollateralised wholesale deposits in, and certain other uncollateralised and unsubordinated wholesale obligations of, Northern Rock plc. These arrangements will exist for the current period of instability in the financial markets.

Unquantifiable

The Bank of England has made available additional facilities to Northern Rock plc. The facilities are secured against the assets of Northern Rock plc, but HM Treasury has indemnified the Bank of England should the Bank of England face a deficit, having made all reasonable endeavours to recover its claims on the company.

Unquantifiable