



House of Commons

Committee of Public Accounts

Excess Votes 2004–05

**Twenty-ninth Report of
Session 2005–06**



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Report, together with formal minutes

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The Committee of Public Accounts

The Committee of Public Accounts is appointed by the House of Commons to examine “the accounts showing the appropriation of the sums granted by Parliament to meet the public expenditure, and of such other accounts laid before Parliament as the committee may think fit” (Standing Order No 148).

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Angela Browning MP (*Conservative, Tiverton and Honiton*)
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Rt Hon Alan Williams MP (*Labour, Swansea West*)
Stephen Williams MP (*Liberal Democrat, Bristol West*)

The following was also a Member of the committee during the period of the enquiry:

Diana R Johnson MP (*Labour, Hull North*)

Powers

Powers of the Committee of Public Accounts are set out in House of Commons Standing Orders, principally in SO No 148. These are available on the Internet via www.parliament.uk.

Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at <http://www.parliament.uk/pac>. A list of Reports of the Committee in the present Session is at the back of this volume.

Committee staff

The current staff of the Committee is Nick Wright (Clerk), Christine Randall (Committee Assistant), Emma Sawyer (Committee Assistant), Ronnie Jefferson (Secretary), and Luke Robinson (Media Officer).

Contacts

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Summary

The Report by the Committee of Public Accounts on Excess Votes is part of the framework of Parliamentary control over government spending. Once the audited accounts of each Department have been laid before Parliament, the Committee considers the reports by the Comptroller and Auditor General on the accounts of those Departments that have exceeded the limits of expenditure authorised by Parliament. The Committee's Report recommends whether Parliament should approve further grant to the Departments concerned, thereby regularising the excess expenditure. Where the excesses are the results of failures in control within Departments, the Committee may make recommendations for improvements.

Resource-based Supply, introduced in 2001–02, requires Departments to forecast and manage the resources they will consume in delivering services on an accruals basis, as well as their cash spending. Parliament authorises both cash spending and the use of resources up to different limits.

In 2004–05 one Department (the Department for Work and Pensions) incurred an Excess Vote, with an excess in the use of resources totalling £188.2 million. In 2003–04 one Department and a Pension Scheme incurred resource excesses of £107 million. There were no cash excesses in 2004–05, compared with one in 2003–04 of £67.6 million. There were no breaches of Administration Cost Limits in 2004–05 or the previous year. Although the total value of excesses in 2004–05 is greater than in 2003–04, the results in both years represent a considerable improvement on previous years.

The Department for Work and Pensions incurred a resource excess of £188.2 million mainly because of an under-estimation of Housing Benefit expenditure and a shortfall in Income Support repayments.

Conclusions and recommendations

1. The value of the excess incurred in 2004–05 was significant, arising from one Department being unable to manage resource consumption within the amount approved by Parliament. Although the total value of the excesses is greater than in 2003–04, the results in both years represent a considerable improvement on previous years. The resource excess in 2004–05 incurred by the Department for Work and Pensions might have been avoided or reduced had there been better budgeting for and subsequent in-year monitoring of Housing Benefit expenditure incurred by local authorities and income from the Child Support Agency.
2. The Department for Work and Pensions have taken steps to improve their systems by reviewing the method of in-year estimation of Housing Benefit expenditure. They are implementing changes to their processes to seek to identify similar overspends in future. More generally, the Department are reviewing their overall procedures for budgeting and forecasting. Nevertheless, in considering the wider lessons to be learned, we recommend that:
 - Departments should make allowance in their Estimates for policy decisions originating elsewhere which may affect their resource requirements; and
 - Departments should monitor operating Appropriations in Aid and expenditure against estimates throughout the financial year, so that they can apply for a Supplementary Estimate to request additional resources if required.

The Treasury should bring our concerns to the attention of departments.

3. The Department for Work and Pensions should have foreseen at least some of the changes which brought about the Excess. Their failure to perform adequate in-year monitoring suggests that their procedures should be strengthened. However, we recommend that Parliament provides the necessary amount by means of an Excess Vote, as set out in Figure 1.

1 Excess Votes in 2004–05

1. Resource-based Supply requires departments to forecast and manage the resources they will consume in delivering services on an accruals basis, as well as their cash spending. Parliament authorises both cash spending and the use of resources up to different limits. In 2004–05, Parliament authorised total net resources of £362,301 million and total cash of £339,832 million in Supply Estimates granted to 55 departments and pension schemes. Of these, just one department incurred an excess in the use of resources totalling £188.2 million. Details are summarised in **Figure 1**.

2. For the second time since the introduction of resource-based Supply, there were no breaches of Administration Cost Limits.

Figure 1: Summary of 2004–05 Excess Votes required

Department	Resources		Cash	
	Excess £	Amount to be voted £	Excess £	Amount to be voted £
Department for Work and Pensions Request for Resources 2 (Promote work as the best form of welfare for people of working age, whilst protecting the position of those in greatest need) Excess Gross Expenditure Add: Deficiency in operating appropriations in aid realised	41,533,000 <u>146,624,000</u>	 188,157,000	–	–

Department for Work and Pensions: Excess on Request for Resources 2

3. The resource excess of £188.2 million (0.54% of the total allocation of £34,980.4 million) against Request for Resources 2 (Promote work as the best form of welfare for people of working age, whilst protecting the position of those in greatest need) occurred primarily because of overspending on Housing Benefit expenditure and a shortfall in Income Support repayments.

4. The Department for Work and Pensions incurred excess gross expenditure of £41.5 million, primarily caused by a large excess on housing benefits expenditure, offset by a number of shortfalls in other areas. The main reason was an increase of subsidy costs in respect of benefit paid by local authorities to those people classified as temporarily homeless. In line with government policy, local authorities made increased use of more expensive, leased accommodation rather than bed and breakfast accommodation. The Department did not anticipate the resulting increase of 60% in this type of expenditure.

5. The deficiency in Appropriations in Aid which made the largest contribution to the overall excess was a shortfall in Income Support receipts. This was primarily in respect of an over-estimation of recoveries by the Child Support Agency of maintenance payments from non-resident parents where the parent with care receives the gross amount of Income

Support. The Department for Work and Pensions estimated the level of recoveries based upon expected improvements in processing times and case compliance following the introduction, in March 2003, of child support reforms. However, the Agency have continued to face many problems and both the processing times and compliance have not yet improved to the level anticipated. The estimates made by the Department in respect of recoveries were therefore too high. On 9 February 2006, the Secretary of State for Work and Pensions announced plans to improve the operations of the Child Support Agency.¹ The Minister also announced at the same time that he has commissioned a review to consider the longer term policy and delivery arrangements for child support.

6. The Department consider that the primary factors contributing to the Excess Vote were demand-led, and in the case of Housing Benefits, subject to local authority interpretation of policy. However, the Department have agreed to review the method of in-year estimation of Housing Benefit expenditure and are implementing changes to their processes to reduce the risk of not identifying similar over-spends in future. More generally, the Department are reviewing their overall procedures for budgeting and forecasting.

¹ HC Debate, 9 Feb 2006, Cols 1020–1022

Formal minutes

Monday 13 February 2006

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon

Mr David Curry

Jon Trickett

Kitty Ussher

Mr Alan Williams

A draft Report (Excess Votes 2004–05), proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 6 read and agreed to.

Summary read and agreed to.

Resolved, That the Report be the Twenty-ninth Report of the Committee to the House.

Ordered, That the Chairman make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned until Wednesday 15 February at 3.30 pm.]

List of Reports from the Committee of Public Accounts Session 2005–06

First Report	Managing National Lottery Distribution Fund balances	HC 408 (<i>Cm 6712</i>)
Second Report	The regeneration of the Millennium Dome and associated land	HC 409 (<i>Cm 6689</i>)
Third Report	Ministry of Defence: Major Projects Report 2004	HC 410 (<i>Cm 6712</i>)
Fourth Report	Fraud and error in benefit expenditure	HC 411 (<i>Cm 6728</i>)
Fifth Report	Inland Revenue: Tax Credits and deleted tax cases	HC 412 (<i>Cm 6689</i>)
Sixth Report	Department of Trade and Industry: Renewable energy	HC 413 (<i>Cm 6689</i>)
Seventh Report	The use of operating theatres in the Northern Ireland Health and Personal Social Services	HC 414 (<i>Cm 6699</i>)
Eighth Report	Navan Centre	HC 415 (<i>Cm 6699</i>)
Ninth Report	Foot and Mouth Disease: applying the lessons	HC 563 (<i>Cm 6728</i>)
Tenth Report	Jobskills	HC 564 (<i>Cm 6724</i>)
Eleventh Report	Local Management of Schools	HC 565 (<i>Cm 6724</i>)
Twelfth Report	Helping those in financial hardship: the running of the Social Fund	HC 601 (<i>Cm 6728</i>)
Thirteenth Report	The Office of the Deputy Prime Minister: Tackling homelessness	HC 653 (<i>Cm 6743</i>)
Fourteenth Report	Energywatch and Postwatch	HC 654 (<i>Cm 6743</i>)
Fifteenth Report	HM Customs and Excise Standard Report 2003–04	HC 695 (<i>Cm 6743</i>)
Sixteenth Report	Home Office: Reducing vehicle crime	HC 696 (<i>Cm 6743</i>)
Seventeenth Report	Achieving value for money in the delivery of public services	HC 742 (<i>Cm 6743</i>)
First Special Report	The BBC's investment in Freeview: The response of the BBC Governors to the Committee's Third Report of Session 2004–05	HC 750
Eighteenth Report	Department for Education and Skills: Improving school attendance in England	HC 789
Nineteenth Report	Department of Health: Tackling cancer: improving the patient journey	HC 790
Twentieth Report	The NHS Cancer Plan: a progress report	HC 791
Twenty-first Report	Skills for Life: Improving adult literacy and numeracy	HC 792
Twenty-second Report	Maintaining and improving Britain's railway stations	HC 535
Twenty-third Report	Filing of income tax self assessment returns	HC 681
Twenty-fourth Report	The BBC's White City 2 development	HC 652
Twenty-fifth Report	Securing strategic leadership in the learning and skills sector	HC 602
Twenty-sixth Report	Assessing and reporting military readiness	HC 667
Twenty-seventh Report	Lost in translation? Responding to the challenges of European law	HC 590
Twenty-eighth Report	Extending access to learning through technology: Ufi and the learndirect service	HC 706
Twenty-ninth Report	Excess Votes 2004–05	HC 916

The reference number of the Treasury Minute to each Report is printed in brackets after the HC printing number