



House of Commons

Committee of Public Accounts

Excess Votes (Northern Ireland) 2004–05

**Thirtieth 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).

Current membership

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Angela Browning MP (*Conservative, Tiverton and Honiton*)
Mr Alistair Carmichael MP (*Liberal Democrat, Orkney and Shetland*)
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Kitty Ussher MP (*Labour, Burnley*)
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 meets to consider 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 grants to the Departments concerned and regularise 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 Pension Scheme in Northern Ireland incurred an Excess in the use of resources of £32.2 million because it did not have up to date actuarial information when preparing the estimates and a second Pension Scheme breached the Net Cash Requirement by £7.0 million due to a miscalculation of the working capital figure included in the estimates.

Conclusions and recommendations

1. While it is encouraging that the total value of excesses has decreased to £39,143,040.44 (£122,925,110.65 in 2003–04) we note that there are two Excesses in the Northern Ireland Departments on Pension Schemes, (up from one in 2003–04 on the Department of Education’s Teachers’ Pension Scheme) and we are concerned by the reasons which gave rise to the continuing occurrence of Excesses on Pension Schemes. The use of up to date actuarial information would have avoided the excess in the Request for Resources in the Department of Health, Social Services and Public Safety and effective estimating procedures would have avoided the breach of the Net Cash Requirement in the Department of Finance and Personnel.
2. In our Report of 7 February 2005 entitled *Excess Votes (Northern Ireland)* (HC 311) we stated that we expected “all Pension Schemes in Northern Ireland which are subject to resource budgeting to review their estimates procedures to make sure that they are not vulnerable to the deficiencies which gave rise to this excess (shortcomings in the procedures over estimating pension scheme liabilities in the 2003–04 Teachers’ Pension Scheme). We also stated that “we expect and require all Northern Ireland Departments to have robust procedures in place to estimate and monitor their use of cash and resources.” We note that the Department of Health, Social Services and Public Safety told the Comptroller and Auditor General for Northern Ireland in his Report on the qualification of the Department’s accounts (HC 492) that it was unable to take account of our findings for 2004–05 as our report was issued after the deadline for the 2004–05 Spring Supplementary Estimates. We are disappointed that the Department had not used its own initiative to obtain sufficient actuarial information to prepare a more accurate Estimate. We are also concerned that the Department of Finance and Personnel had miscalculated its Estimate and that this technical error was not identified by robust procedures.
3. We expect our previous recommendation made following the 2003–04 Excess Vote, that all Northern Ireland Departments have robust procedures in place to estimate and monitor their use of cash and resources, to be implemented. In addition we would recommend that Departments must ensure that those preparing Estimates have the appropriate technical knowledge, experience and training in preparing Estimates and, for pension schemes, that there is more regular liaison with actuaries in assessing scheme liabilities in time for the Main and Supplementary Estimates.
4. The Committee is satisfied that the Departments concerned have taken the necessary steps to address the overspends against provisions in 2004–05 and we look to the Department of Finance and Personnel to bring our concerns to the attention of Departments more widely. Parliament has traditionally authorised the overspending against provision by means of an Excess Vote, and we recommend that the sums set out in Figure 1 should be provided accordingly.

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 the limits set. In 2004–05 Parliament authorised total net resources of £11,764 million and a total net cash requirement of £10,278 million in Supply Estimates. This is accounted for in 15 Northern Ireland Resource Accounts and 3 Pension Schemes. Of these, one Pension Scheme incurred an Excess Vote in the use of resources of £32 million and one Pension Scheme incurred an Excess Vote in the net cash requirement of £7 million. Details of the Excesses are summarised in **Figure 1**.

Figure 1: Summary of 2004–05 Excess Votes required

Department/ Pension Scheme	Resources		Cash	
	Excess	Amount to be voted	Excess	Amount to be voted
	£	£	£	£
Department of Health Social Services and Public Safety: Health and Personal Social Services Superannuation Scheme				
Excess Expenditure	32,164,692.48			
Less: Surplus income to be appropriated as accruing resources	<u>(12,148,511.50)</u>	20,016,180.98		
Department of Finance and Personnel Superannuation and Other Allowances				
Cash Excess			6,978,347.96	6,978,347.96

2. The number of Excesses has increased from one in 2003–04 to two in 2004–05; however, the total value of Excesses has decreased from £122,925,110.65 to £39,143,040.44.

Department of Health, Social Services and Public Safety: Health and Personal Social Services Superannuation Scheme

Excess on Request for Resources

3. The Committee has considered the Comptroller and Auditor General's Report on the Excess in the accounts of the Department of Health, Social Services and Public Safety, Health and Personal Social Services Superannuation Scheme for 2004–05. The resource excess of £32.165 million against Request for Resources A (Providing for the payment of

pensions, lump sums and gratuities to former members of the Health and Personal Services Superannuation Scheme) occurred because of the failure to obtain an up to date actuarial valuation when preparing the Spring Supplementary Estimates. The Department proposes to apply excess accruing resources of £12.149 million to offset the resource excess, leaving an amount of £20.016 million to be granted by way of an Excess Vote.

4. The Spring Supplementary Estimates were prepared in January 2005 and were derived from a full actuarial valuation as at March 1999 updated to March 2004. The 2004–05 outturn was derived from a full actuarial valuation at March 2003 updated to March 2005 which was received in September 2005 and was therefore not available for the Spring Supplementary Estimates. The Department has explained that obtaining an actuarial valuation is a lengthy process requiring careful analysis of membership changes. The 1999 valuation took 3 years from commissioning to completion while the 2003 valuation took 18 months to complete. The Excess occurred because up to date information was not available when the Estimates were prepared but was available for the preparation of the accounts.

5. The Department has taken steps to minimise the risk of a similar problem recurring in the future. There will be more regular liaison with the Government Actuaries Department (GAD) who have agreed to apply sensitivity analysis on actuarial assumptions in time for the main and supplementary estimates. In addition the Department is developing revised procedures for the preparation of the Main and Supplementary Estimates.

Department of Finance and Personnel Superannuation and Other Allowances: Breach of limit on Net Cash Requirement

6. The Committee has considered the Comptroller and Auditor General's Report on the Excess in the accounts of the Department of Finance and Personnel Superannuation and Other Allowances resource account for 2004–05. The breach of the limit on Net Cash Requirement of £6.977 million against the amount authorised occurred because of a failure to properly estimate working capital requirements.

7. The Excess arose due to a miscalculation of the amount of increase in working capital included in the Estimate (£8.516 million). After allowing for savings, the Scheme incurred a Cash Excess of £6.977 million.

8. In preparing the Estimates, the Department failed to exclude monies due to the Consolidated Fund on collection and Consolidated Fund Supply debtors from the calculation of the movement in debtors.

9. The Department has taken action to minimise the risk of such an Excess recurring. Steps have been taken to improve knowledge and understanding of the technical budgetary and accounting issues in respect of preparing estimates and accounts for the Principal Civil Service Pension Scheme (Northern Ireland). The Department is continuing to review and strengthen internal systems to support the estimates and accounts production process and in particular finance staff have updated their technical knowledge and now have a greater understanding of the issues unique to the calculation of movements in working capital.

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 (Northern Ireland) 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 9 read and agreed to.

Summary read and agreed to.

Resolved, That the Report be the Thirtieth 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

Thirtieth Report

Excess Votes (Northern Ireland) 2004–05

HC 917

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