



House of Commons  
Committee of Public Accounts

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**Excess Votes 2009–10**

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**Twenty-second Report of Session  
2010–11**

*Report, together with formal minutes*

*Ordered by the House of Commons  
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## The Committee Name

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

Rt Hon Margaret Hodge (*Labour, Barking*) (Chair)  
Mr Richard Bacon (*Conservative, South Norfolk*)  
Mr Stephen Barclay (*Conservative, North East Cambridgeshire*)  
Dr Stella Creasy (*Labour/Cooperative, Walthamstow*)  
Jackie Doyle-Price (*Conservative, Thurrock*)  
Justine Greening (*Conservative, Putney*)  
Matthew Hancock (*Conservative, West Suffolk*)  
Chris Heaton-Harris (*Conservative, Daventry*)  
Joseph Johnson (*Conservative, Orpington*)  
Rt Hon Mrs Anne McGuire (*Labour, Stirling*)  
Mr Austin Mitchell (*Labour, Great Grimsby*)  
Nick Smith (*Labour, Blaenau Gwent*)  
Ian Swales (*Liberal Democrats, Redcar*)  
James Wharton (*Conservative, Stockton South*)

### Powers

The committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the internet via [www.parliament.uk](http://www.parliament.uk).

### Publication

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 [www.parliament.uk/parliament.uk/xxx](http://www.parliament.uk/parliament.uk/xxx). A list of Reports of the Committee in the present Parliament is at the back of this volume.

The Reports of the Committee, the formal minutes relating to that report, oral evidence taken and some or all written evidence are available in a printed volume.

Additional written evidence may be published on the internet only.

### Committee staff

The current staff of the Committee is Philip Aylett (Clerk), Lori Verwaerde (Senior Committee Assistant), Ian Blair and Michelle Garratty (Committee Assistants) and Alex Paterson (Media Officer).

### Contacts

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## Summary

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The Committee of Public Accounts scrutinises the reasons behind individual Departments exceeding their allocated resources and reports to the House of Commons on whether it has any objection to making good the reported excesses.

In 2009-10, the Statistics Board breached its cash limit by £251,000. The Government Actuary's Department incurred excesses in the use of resources totalling £747,000, leading to a breach of the Administration Budget by £741,000. The Government Actuary's Department also incurred an excess of £67,000 in its voted cash limit. More specifically:

- **The Statistics Board** breached its voted Net Cash Requirement limit by £251,000 through weaknesses in its cash management system resulting in a payment to suppliers being authorised at the year end when the Statistics Board's cash limit had already been reached.
- **The Government Actuary's Department** breached its Net Cash Requirement by £67,000 through a combination of unexpected payments due to an ex-employee under the injury benefit scheme, and to the misalignment of cash management with the working capital requirements of the growing business. It also incurred excess resources of £747,000 as a result of having to provide for future liabilities in respect of the injury benefit award. This excess use of resource also led to a breach of the Administration Budget by £741,000.

In the context of the recent Comprehensive Spending Review, strong and effective financial management and control are more important than ever for government departments if they are to avoid exceeding their resource limits. Nevertheless, on the basis of our examination of the reasons why the Statistics Board and the Government Actuary's Department exceeded their voted provisions for 2009-10, we have no objection to Parliament providing the necessary amounts by means of an Excess Vote.



## Conclusions and Recommendations

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1. **In 2009-10 the Statistics Board and the Government Actuary's Department exceeded spending limits approved by Parliament, indicating weaknesses in their financial planning and management.** Under the terms of the Standing Order of the House of Commons number 55(3)(c), we recommend that Parliament provides the additional resources requested by means of an Excess Vote, as set out in **Figure 1 on page 8**.
2. **Two cash excesses occurred as a result of weaknesses in cash management processes.**
  - **The Statistics Board breached its Net Cash Requirement of £251,000 against a limit of £207,861,000.** This was due to weaknesses in cash management controls which led to a payment run being made at the year end when the cash limit had already been met. Processes to calculate the available cash balance did not take into account payments made but not yet cleared through the bank account. Management review failed to prevent the additional payments being made.
  - **The Government Actuary's Department breached its Net Cash Requirement by £67,000 against a limit of £705,000.** This was partly due to an unexpected payment being made under the injury benefit scheme to an ex-employee, and partly due to the failure to consider the need for additional working capital as a result of the expansion of its business. The Department was unable to repay an advance from the Contingencies Fund in full by the year end. With this known repayment, and the extra payments for the injury benefit award being made before January 2010, the Department could have used the Spring Supplementaries to request extra cash resource.
3. **One resource excess occurred as a result of events crystallising late in the financial year.**
  - **The Government Actuary's Department incurred a resource excess of £747,000** as a result of the need to create a provision in its balance sheet at 31 March 2010 for the future liabilities that may be incurred as a result of an injury benefit award being granted to an ex-employee, which is payable for life. The details and timing of this award were still uncertain at the time of the Spring Supplementary Estimate and so extra resources were not requested. The administrative nature of the provision also means that the Administration Budget has been exceeded by £741,000.
  - **In the context of the recent Comprehensive Spending Review, strong and effective financial management and control are more important than ever for government departments if they are to avoid exceeding their resource limits.** Departments must ensure that staff are aware of the voted limits, and the repercussions of a breach, and that controls are in place for the accurate forecasting of income and expenditure to prevent future excesses. Departments cannot decide

that incurring an excess vote is an acceptable consequence of failing to maintain appropriate financial control.

## Excess Votes in 2009-10

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1. This Report is part of the framework of Parliamentary control over government spending. Resource-based Supply requires Departments to estimate and manage the financial resources needed during each financial year; on an accruals basis for commitments to provide services, and on a cash basis to meet commitments as they mature. Parliament authorises Departments' proposed cash spending and use of resources.
2. The resource-based Estimates reflect accruals and non-cash consumption of resources, such as depreciation, and a cash limit is also voted by Parliament. A breach of the total resource-based Estimates, or of cash limits, results in an Excess Vote. In 2009-10, Parliament granted total net resources of £502.4 billion and total cash of £518.1 billion in Supply Estimates to 56 Departments, pension schemes and other vote-funded bodies.<sup>1</sup>
3. Under the House of Commons Standing Order number 55(3)(c)<sup>2</sup>, the Committee of Public Accounts scrutinises the reasons behind any individual Departments exceeding their allocated resources, and reports to the House of Commons on whether it has any objection to making good the reported excesses. Once the Committee has reported, HM Treasury presents the Statement of Excesses to Parliament, to be voted into the Appropriation Act in March. The passing of this Act authorises the additional grant by Parliament to regularise the excesses incurred by Departments.
4. **Figure 1** shows the excesses incurred in 2009-10 by two Departments. In both cases, as neither Department has savings elsewhere that can be applied to the excess, Parliament is being asked to approve the additional resource.

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1 *Central Government Supply Estimates 2009-10*, February 2010, HC 257

2 *Standing Orders of the House of Commons Public Business*, April 2010 (New Parliament), HC 539

Figure 1: Summary of 2009-10 Excess Votes required

| Department   | Resources   |                            | Cash        |                            |
|--|-------------|----------------------------|-------------|----------------------------|
|  | Excess<br>£ | Amount to<br>be voted<br>£ | Excess<br>£ | Amount to<br>be voted<br>£ |
| <b>The Statistics Board</b><br><br>Excess Cash   |             |                            | 251,000     | <b>251,000</b>             |
| <b>Government Actuary's Department<br/>Request for Resources 1: (Providing an<br/>Actuarial Consultancy service)</b><br><br>Excess Resources (with resulting breach<br>to Administration Budget) <sup>3</sup><br><br>Excess Cash | 747,000     | <b>747,000</b>             | 67,000      | <b>67,000</b>              |
| <b>Total</b>   |             | <b>747,000</b>             |             | <b>318,000</b>             |

### *The Statistics Board: Excess on Net Cash Requirement*

5. As a Supply financed Department, the Statistics Board should draw down resources from the Consolidated Fund and use these to finance its activities. All payments made, whether or not the payments have cleared through the Board's Bank account during the period, are included in reporting the Board's Net Cash Requirement for the year.

6. On 31 March 2010, the Statistics Board processed a payment run of £251,000, despite having already spent the voted cash resource. This occurred due to the Statistics Board failing to adjust the available cash balance for payments which had been made but had not cleared the bank account. This resulted in a breach of the Net Cash Requirement by £251,000.<sup>4</sup>

3 The amount of £747,000 is required to be voted to meet the Government Actuary's Department's excess resource consumption and so no additional resources are required for the £741,000 breach of the Administration Budget.

4 *The Statistics Board Resource Accounts 2009-10*, HC 305

7. A number of factors led to the payment run being authorised when it should not have been: weaknesses in the processes for the calculation of cash available; unfamiliarity with the Supply process; and a lack of timely review by management. Another contributory factor was changes to payment performance targets. In March 2010, the Government amended the target payment terms to suppliers from ten days to five days. As a result, the Board worked to pay as many creditors as possible before the year end.

8. Although the specific cash breach was caused by a failure of year end financial controls, there is also an ongoing risk around the management of Supply limits throughout the period. The cash management processes operating throughout the year meant that there was a real risk of exceeding the approved limits at year end. This risk materialised in 2009-10 and the management review processes failed to prevent the cash excess.

9. The Board has undertaken a number of actions to ensure that a similar event does not occur including increased awareness of the cash limit within the finance team, enhanced controls procedures and documentation, and an Internal Audit report to identify any further improvements. Management of financial resources will become even more important in 2010-11, particularly as the Statistics Board receives significant additional funding for the 2011 Census.

### *Government Actuary's Department (GAD): Excess on Request for Resource, Administration Budget and Net Cash Requirement*

10. During autumn 2009, GAD became aware of an unexpected liability to an employee who has been on long-term sick leave since 2005-06. The former employee had been assessed as eligible for lifetime injury benefit payments, backdated to the start of his sickness absence, due to events that occurred prior to this date. Amounts paid out by the Department during 2009-10 as a result of this award totalled £186,510.

11. In accounting for future costs relating to this liability, GAD concluded that, at the balance sheet date, it had a "present obligation" arising from a "past event" under accounting standards to make future payments. GAD had estimated the future cost of the benefit payments to be £571,000, and created a provision in the accounts for this amount.<sup>5</sup>

12. It is the need to account for the costs relating to this one-off event that has led to the Resource Excess of £747,000, and the administrative nature of the provision also means that GAD breached its Administration Budget by £741,000. It was not possible for the Department to seek additional funds to cover this provision in the Spring Supplementary Estimates, as, at the date that the Estimate had to be submitted, uncertainties surrounding the timing and amount of the provision still existed.

13. GAD also breached its Net Cash Requirement by £67,000 as cash flow at the year end was insufficient to meet the Department's obligations and repay an advance from the Contingencies Fund in full.

14. As noted above, GAD incurred unexpected expenditure in relation to the injury benefit award. Although the Department knew that £176,185 had been paid out in respect of this liability prior to 1 January 2010, the opportunity to request extra cash to cover these payments as part of the Spring Supplementary Estimates was not taken. A further factor contributing to the excess was that the cash forecasting and budgeting process had not been fully realigned with the increased level of business and the corresponding need for increased levels of working capital.

15. To help improve the working capital levels, the Comptroller and Auditor General has indicated that GAD should not only seek to secure extra cash through the Estimates process but also review its credit control policies to ensure debts, especially from other Government Departments, can be collected in a timely manner. Invoices overdue at year-end from other Government Departments totalled £206,000 (11% of total debtors). If these amounts had been collected, GAD would not have exceeded its Net Cash Requirement.

16. The breach of the resource, administration and cash limits was due to a one-off event outside of GAD's control. Going forward, the Comptroller and Auditor General has indicated that GAD needs to enhance its working capital management procedure to account for its increased levels of business and to seek additional cash in periods of growth where needed.

# Formal Minutes

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**Tuesday 8 February 2011**

Members present:

Rt Hon Margaret Hodge, in the Chair

Mr Richard Bacon

Mr Stephen Barclay

Dr Stella Creasy

Jackie Doyle-Price

Matthew Hancock

Matthew Hancock

Jo Johnson

Austin Mitchell

Ian Swales

Draft Report (*Excess Votes 2009-10*) proposed by the Chair, brought up and read.

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

Paragraphs 1 to 16 read and agreed to.

Conclusions and recommendations 1 to 4 read and agreed to.

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

*Ordered*, That the Chair 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.

Written evidence was ordered to be reported to the House for printing with the Report.

[Adjourned till Wednesday 9 February at 3.30pm]

# List of Reports from the Committee of Public Accounts 2010-11

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The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

## Session 2010-11

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| Third Report         | Tackling inequalities in life expectancy in areas with the worst health and deprivation | HC 470 |
| Fourth Report        | Progress with VFM savings and lessons for cost reduction programmes                     | HC 440 |
| Fifth Report         | Increasing Passenger Rail Capacity  | HC 471 |
| Sixth Report         | Cafcass's response to increased demand for its services                                 | HC 439 |
| Seventh Report       | Funding the development of renewable energy technologies                                | HC 538 |
| Eighth Report        | Customer First Programme: Delivery of Student Finance                                   | HC 424 |
| Ninth Report         | Financing PFI projects in the credit crisis and the Treasury's response                 | HC 553 |
| Tenth Report         | Managing the defence budget and estate  | HC 503 |
| Eleventh Report      | Community Care Grant  | HC 573 |
| Twelfth Report       | Central government's use of consultants and interims                                    | HC 610 |
| Thirteenth Report    | Department for International Development's bilateral support to primary education       | HC 594 |
| Fourteenth Report    | PFI in Housing and Hospitals  | HC 631 |
| Fifteenth Report     | Educating the next generation of scientists   | HC 632 |
| Sixteenth Report     | Ministry of Justice Financial Management  | HC 574 |
| Seventeenth Report   | The Academies Programme   | HC 552 |
| Eighteenth Report    | HM Revenue and Customs' 2009-10 Accounts  | HC 502 |
| Nineteenth Report    | M25 Private Finance Contract  | HC 651 |
| Twentieth Report     | Ofcom: the effectiveness of converged regulation  | HC 688 |
| Twenty-First Report  | The youth justice system in England and Wales: reducing offending by young people       | HC 721 |
| Twenty-second Report | Excess Votes 2009-10  | HC 801 |